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[State trade at crossroads](#) [Import-export business could balloon, but infrastructure must improve, study says](#)

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California's international trade could soar to three times its current level by 2020, but only if the state's congested seaports, airports, highways and railroad lines are significantly expanded and upgraded, concludes a report released today by a San Francisco think tank.

Whether such dramatic growth -- which would generate not only jobs but also pollution, congestion, and wear and tear on the state's infrastructure --

is worth pursuing is for government policy-makers to decide, write the report's co-authors, economists Jon Haveman and David Hummels.

Their study, "California's Global Gateways: Trends and Issues," published by the nonprofit Public Policy Institute of California, argues that the benefits of trade need to be weighed against burdens that trade imposes on the state's stressed environment and sagging infrastructure.

Many imports and exports simply pass through California without originating or ending here, they note. Californians are only partially compensated in federal tax dollars for the pollution, congestion and wear and tear that constant movement of goods causes. "In effect," they write, "California is subsidizing economic activity in other states."

The state's politicians, they say, might need to lobby more aggressively for a larger share of federal tax money to offset the increasing environmental costs of trade-related transportation. Or the state might consider imposing user fees on shippers and transportation firms, but such fees are politically unpopular.

The Public Policy Institute of California, which published the study, is a nonpartisan, private organization co-founded in 1994 by the late William Hewlett, co-founder of Hewlett-Packard Co.

Haveman, a former economist for the Federal Trade Commission, is a research fellow at the institute. Hummels, an economics professor at Purdue University, where he specializes in international trade issues, has worked as a consultant to the International Monetary Fund and the World Bank.

Whatever steps the state takes will matter because its international trade, which hit \$92.2 billion in exports in 2002 according to state government statistics, is key to its economy. Indeed, California, along with New York, Texas, Washington and Michigan, is one of the nation's most active trading states, and its transportation infrastructure reflects its status.

California has three of the nation's seven largest container ports -- Los Angeles, Long Beach and Oakland -- and two of the three busiest air cargo airports: Los Angeles International Airport and San Francisco International Airport.

Thanks to its location on the Pacific Rim, California is well positioned to handle this country's burgeoning trade with Asia, which surged from just 8 percent of U.S. trade in 1970 to 40 percent in 2002. Moreover, "Trade with Asia is expected to provide almost three-fourths of the trade growth through California," Haveman and Hummels predict.

The Golden State ships agricultural goods, computers and machinery to Asia, especially the fast-growing markets in China, and brings in apparel, electronic gear, shoes, toys and other goods, much of it destined for other parts of the United States. For a decade, California, which also trades actively with Mexico and Canada, has been the nation's top exporting state or very close to it.

However, all that could be at risk in the next 15 years. Indeed, there are limits to how much new business California's infrastructure can handle without an infusion of cash and an upgrade, Haveman and Hummels write.

Increasingly serious congestion on rail lines that link the sprawling ports of Los Angeles and Long Beach with America's interior and jammed Bay Area highways that slow down truckers near the Port of Oakland are causing shippers to look for other U.S. gateways that don't have such severe problems, they said.

Moreover, ever-lighter cargo shipments of electronics and other goods, combined with new long-range aircraft that can reach distant airports, have recently reduced the share of air cargo at San Francisco International Airport and Los Angeles International Airport. Together, SFO and LAX had 38 percent of the nation's international air cargo by dollar value in 1995 but snared only 21 percent in 2002 because of competition from other airports.

A shift to lighter cargo is also beginning to blunt California's geographical edge in ocean shipping because goods that were once too heavy to ship by air can now take flight instead of having to travel by sea. Anchorage, Alaska, for example, which is located on the great circle route between Asia and the U.S. East Coast and has an expanding, modernizing airport, is emerging as a stiff competitor.

National security is yet another factor that will inevitably affect the nation's and state's trade future, the new study notes. It is especially important in light of the terrorist attacks of Sept. 11, 2001.

Initiatives placing U.S. Customs and Border Protection inspectors in foreign seaports and airports, along with new regulations designed to monitor the progress of ocean-borne cargo while it's still at sea, could either speed up or slow down the shipment of goods. Just how these

changes, which are still being implemented, will play out is unknown, Haveman and Hummels write.

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International air shipments

Here are the top U.S. airports for international trade (2002)

Rank	Airport	Value*
1	J.F.K. (New York)	\$112.7
2	Los Angeles	60.6
3	San Francisco	49.7
4	Chicago O'Hare	47.8
5	New Orleans	26.6
6	Anchorage, Alaska	22.7
7	Miami	21.1
8	Dallas-Fort Worth	19.7
9	Atlanta	17.5
10	Cleveland	16.4
18	Oakland	3.0.

Source: Public Policy Institute of California

Overseas shipping

Here are the top U.S. international maritime ports (2001)

Value	Gateway	Value*
1	Los Angeles	\$104.2
2	Long Beach	94.7
3	New York	85.9
4	Houston	44.5
5	Charleston, S.C.	33.4
6	Seattle	28.6
7	Oakland	25.0
8	Norfolk, Va.	24.9
9	Baltimore, Md,	20.8
10	Tacoma, Wash.	18.7.

Source: Public Policy Institute of California

State trade forecast

Total imports through California will increase in value by 81 percent and exports by 187 percent between 2002 and 2020, according to a study being released today.

Projected total value of California imports and exports through 2020:

IMPORTS

2002	2010	2020
\$267	\$354	\$482
billion	billion	billion.

EXPORTS

2002	2010	2020
\$110	\$196	\$316
billion	billion	billion.

Source: Public Policy Institute of California
Todd Trumbull / The Chronicle

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