PMSA

West Coast Trade Report

September 2019

Parsing the July 2019 TEU Numbers

Please note: The numbers here are not derived from forecasting algorithms or the partial information available from U.S. Customs and Border Protection but instead represent the actual TEU counts as reported by the major North American seaports we survey each month. The U.S. mainland ports we monitor collectively handle over 90% of the container movements at continental U.S. ports. Unless otherwise stated, the numbers in this portion of our analysis do not include empty containers.

Exhibit A **Containerized Import Tonnage from China: July 2016-July 2019**
Source: U.S. Commerce Department

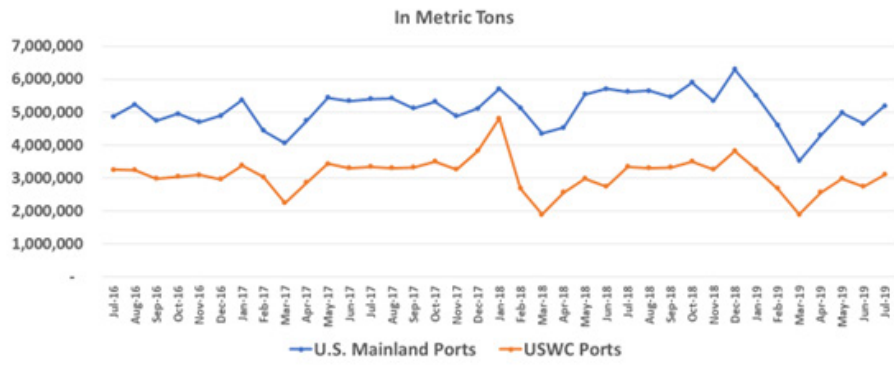
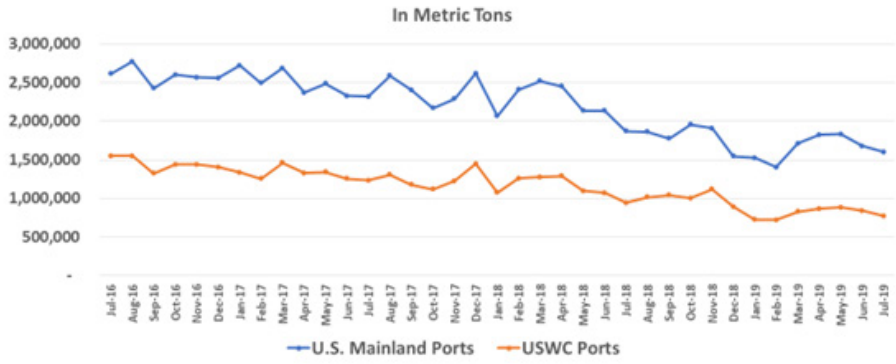


Exhibit B **Containerized Export Tonnage from China: July 2016-July 2019**
Source: U.S. Commerce Department



Import Traffic

First, a few words on context. Year-over-year comparisons can sometimes be misleading. And comparisons between months in 2019 with those in 2018 are especially fraught with the potential for mistaken conclusions. That is why we will preface our customary review of the July container traffic statistics by emphasizing how unusual last year was and why comparing this summer with last summer may not be terribly enlightening.

Starting in early 2018, U.S. shippers – who had formerly enjoyed decades of relative stability in U.S. trade policy – began finding themselves in a strange and disconcerting environment as the Trump administration began ratcheting up its disputes with most every major trading partner, but especially with China. That year began with the White House imposing new tariffs on imported solar panels and washing machines. While that move did not single out shipments from China, Beijing responded with new tariffs on U.S. sorghum exports. By March, the tussle between America and China moved to the center ring when the U.S. formally charged China with unfair trade practices related to technology transfers and intellectual

Parsing the July 2019 Loaded TEU Numbers Continued

property protection and indicated the next step would involve higher tariffs on as much as $60 billion in Chinese products.

Since then, things have not gone at all well.

Last July 6, the U.S. and China each imposed 25% tariffs on $34 billion worth of the other's exports. Almost immediately, President Trump began raising the ante with threats to hit an additional $200 billion in Chinese goods with a 10% tariff. China countered by threatening $60 billion in U.S. shipments with new tariffs. Last September 24, both sides made good on those threats.

Understandably alarmed by the prospects of even higher tariffs covering an even broader array of Chinese goods entering the American market, U.S. importers then began bolstering their stateside inventories. As illustrated in Exhibit A, that was especially the case in the second half of last year when import tonnage from China rose to unprecedented levels, most noticeably in December. Then, with warehouses stuffed and with BCOs presumably weary of hearing mixed messages on bilateral trade relations, the pace of U.S. imports from China slowed sharply until the start of 2019's second quarter. Then eastbound transpacific spot rates, which had been trending generally lower since the start of the year, picked up briefly midway through the summer before rising again toward the end of August. Even so, rates to both the East and West Coast were well below last year.

As Exhibit B indicates, U.S. containerized exports to China followed a somewhat similar path. But Beijing has been more selective about targeting U.S. goods, concentrating on those items coming from regions which had supported Trump in 2016. Agricultural exports to China have taken an especially heavy hit. By contrast, high-value products that China needs, such as electronics components, aeronautical equipment, and pharmaceuticals, have generally escaped boosts in Chinese tariffs. These are items more commonly shipped by air than by sea. Not surprisingly, while the dollar value of U.S. containerized shipments to China was down by 21.3% in the first seven months of this year, the value of U.S. airborne exports to China has risen by 5.3%.

Now on to the July numbers.

Forecasters' expectations of an early peak importing season definitely failed to materialize in July at Southern California's maritime gateway. While the Port of Los Angeles posted a respectable 8.7% (+38,273 TEUs) increase over July of last year, that gain was almost entirely erased by a 9.9% (-34,386 TEUs) drop at the Port of Long Beach. Together, the two ports -- which constitute the nation's busiest maritime gateway -- saw the volume of inbound loaded TEUs edge up by just 0.5% (+3,887 TEUs).

With the Port of Oakland reporting a 7.5% (+6,297 TEUs) bump in inbound loads, the California ports collectively were up by 1.2% (+10,184 TEUs) from a year earlier. Elsewhere, however, the numbers from the Northwest Seaport Alliance Ports of Tacoma and Seattle were off by 6.0% (-7,820 TEUs). Accordingly, inbound loads through the five major USWC ports were up just 0.2% (+2,364 TEUs) ahead of last year's July.

The USWC numbers compare poorly with ports elsewhere in the country. On the East Coast, Jaxport reported a 19.7% (+5,345 TEUs) jump, while Virginia posted a 4.3% (+5,128 TEUs) gain and Savannah saw an 8.5% (+15,466 TEUs) bump. The Port of New York/New Jersey enjoyed a 4.6% (+14,879 TEUs) increase in inbound loads. Altogether, the nine U.S. East Coast ports we track boosted their inbound trades by 6.0% (+51,227 TEUs) over last July. The two Gulf Coast ports we monitor saw a combined 6.6% (+7,595 TEUs) jump year-over-year.

The two British Columbia ports we track had mixed results in July. At Vancouver, inbound loads were down by 0.4% (-591 TEUs), while Prince Rupert posted a 29.7% (+15,186 TEUs) gain from a year earlier. Combined, the two ports were up 6.8% (+14,595 TEUs).

Focusing now just on the sixteen mainland U.S. ports we track, import loads in July totaled 2,037,045 TEUs, an increase of 3.1% (+61,186 TEUs) from the same month in 2018. The Big Five USWC ports accounted for 1,003,332 loaded import TEUs for a 49.3% share, down from their 50.7% share in July of last year.

Parsing the July 2019 Loaded TEU Numbers Continued

Now looking at the containerized import traffic through the five U.S. and two Canadian ports on the Pacific Coast, inbound loads in July were up 1.4% (+16,959 TEUs) from a year earlier. The five USWC ports accounted for 81.4% of the inbound loaded TEUs along the Pacific Coast, down from their 82.3% share last July.

Export Traffic

As expected, outbound container traffic was not particularly robust in July. At the two San Pedro Bay ports, 14,745 fewer loaded TEUs (-5.1%) sailed abroad than in the same month a year earlier. The other major USWC ports fared better, though. Oakland (+10.2% or +7,079 TEUs) and the NWSA ports (+4.1% or +2,884 TEUs) both shipped more loaded containers than in July of 2018. Altogether, though, the five big USWC ports handled 4,782 fewer outbound loaded TEUs in July, a year-over-year dip of 1.1%.

Outbound trades were somewhat healthier among the USEC ports we track. Several did see significantly higher numbers of loaded export containers this July than in last. Those ports were Jaxport (+10.3%), Miami (5.8%), PNYNJ (+1.4%), South Carolina (+3.8%), and Maryland (+2.8%). Overall, however, the nine USEC ports we track saw outbound loaded numbers improve by 1.0% (+5,418 TEUS) from last July.

Exhibit 1 July 2019 - Inbound Loaded TEUs at Selected Ports

	Jul 2019	Jul 2018	% Change	Jul 2019 YTD	Jul 2018 YTD	% Change
Los Angeles	476,438	438,165	8.7%	2,736,704	2,658,206	3.0%
Long Beach	313,350	347,736	-9.9%	2,127,160	2,339,990	-9.1%
San Pedro Bay Totals	**789,788**	**785,901**	**0.5%**	**4,863,864**	**4,998,196**	**-2.7%**
Oakland	90,598	84,301	7.5%	564,743	544,446	3.7%
NWSA	122,946	130,766	-6.0%	815,263	796,454	2.4%
USWC Totals	**1,003,332**	**1,000,968**	**0.2%**	**6,243,870**	**6,339,096**	**-1.5%**
Boston	12,714	14,322	-11.2%	85,912	82,380	4.3%
NYNJ	336,972	322,093	4.6%	2,183,034	2,079,661	5.0%
Maryland	48,807	46,199	5.6%	309,828	297,865	4.0%
Virginia	125,260	120,132	4.3%	798,936	749,927	6.5%
South Carolina	92,707	87,549	5.9%	613,115	573,565	6.9%
Georgia	197,341	181,875	8.5%	1,272,702	1,173,358	8.5%
Jaxport	32,505	27,160	19.7%	209,307	179,515	16.6%
Port Everglades	25,801	27,544	-6.3%	189,789	215,139	-11.8%
Miami	38,229	32,235	18.6%	253,330	237,975	6.5%
USEC Totals	**910,336**	**859,109**	**6.0%**	**5,915,953**	**5,589,385**	**5.8%**
New Orleans	12,315	11,188	10.1%	80,448	72,275	11.3%
Houston	111,062	104,594	6.2%	715,849	660,203	8.4%
USGC Totals	**123,377**	**115,782**	**6.6%**	**796,297**	**732,478**	**1.1%**
Vancouver	162,908	163,499	-0.4%.	1,006,676	997,495	0.9%
Prince Rupert	66,277	51,091	29.7%	365,655	325,682	12.3%
BC Totals	**229,185**	**214,590**	**6.8%**	**1,372,331**	**1,323,177**	**3.7%**
US/BC Totals	**2,266,230**	**2,190,449**	**3.5%**	**14,328,451**	**13,984,136**	**2.5%**
US Total	**2,037,045**	**1,975,859**	**3.1%**	**12,956,120**	**12,660,959**	**2.3%**
USWC/BC	**1,232,517**	**1,215,558**	**1.4%**	**7,616,201**	**7,662,273**	**-0.6%**

Source Individual Ports

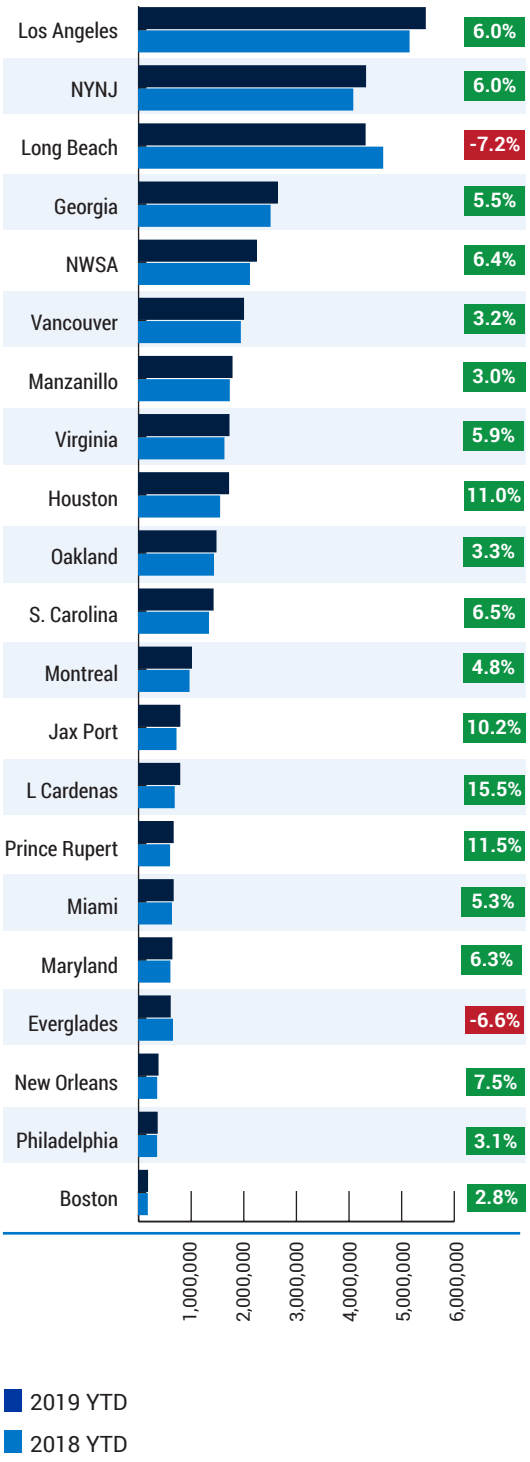
Parsing the July 2019 Loaded TEU Numbers Continued

Exhibit 2 July 2019 - Outbound Loaded TEUs at Selected Ports

	Jul 2019	Jul 2018	% Change	Jul 2019 YTD	Jul 2018 YTD	% Change
Los Angeles	161,340	167,992	-4.0%	1,070,020	1,120,273	-4.5%
Long Beach	111,654	119,747	-6.8%	843,878	932,964	-9.5%
San Pedro Bay Totals	**272,994**	**287,739**	**-5.1%**	**1,913,898**	**2,053,237**	**-6.8%**
Oakland	76,414	69,335	10.2%	540,065	522,012	3.5%
NWSA	73,828	70,944	4.1%	527,557	547,808	-3.7%
USWC Totals	**423,236**	**428,018**	**-1.1%**	**2,981,520**	**3,123,057**	**-4.5%**
Boston	6,418	6,887	-6.8%	46,617	48,133	-3.1%
NYNJ	118,015	116,441	1.4%	859,533	872,830	-1.5%
Maryland	19,175	18,649	2.8%	134,468	137,454	-2.2%
Virginia	80,955	82,853	-2.3%	574,805	591,903	-2.9%
South Carolina	72,126	69,492	3.8%	486,854	494,699	-1.6%
Georgia	117,790	118,871	-0.9%	878,422	882,353	-0.4%
Jaxport	41,165	37,313	10.3%	289,644	280,032	3.4%
Port Everglades	34,328	35,938	-4.5%	244,599	263,853	-7.3%
Miami	34,304	32,414	5.8%	241,205	231,973	4.0%
USEC Totals	**524,276**	**518,858**	**1.0%**	**3,756,147**	**3,803,230**	**-1.2%**
New Orleans	25,021	25,653	-2.5%	173,749	169,772	2.3%
Houston	104,470	89,513	16.7%	726,962	630,523	15.3%
USGC Totals	**129,491**	**115,166**	**12.4%**	**900,711**	**800,295**	**12.5%**
Vancouver	91,521	90,125	1.5%	673,589	643,212	4.7%
Prince Rupert	15,397	17,031	-9.6%	117,044	123,954	-5.5%
British Columbia Totals	**106,918**	**107,156**	**-0.2%**	**790,633**	**767,166**	**3.1%**
US/Canada Total	**1,183,921**	**1,169,198**	**1.3%**	**8,429,011**	**8,493,748**	**-0.8%**
US Total	**1,077,003**	**1,062,042**	**1.4%**	**7,638,378**	**7,726,582**	**-1.1%**
USWC/BC	**530,154**	**535,174**	**-0.9%**	**3,772,153**	**3,890,223**	**-3.0%**

Source Individual Ports

Exhibit 3 July Year-to-Date Total TEUs (Loaded and Empty) Handled at Selected Ports



Source: Individual Ports

Parsing the July 2019 Loaded TEU Numbers Continued

Along the Gulf Coast, Houston's outbound box trade soared by 16.7% (+14,957 TEUs), but New Orleans slipped by 2.5% (-632 TEUs), leaving the Gulf Coast with a combined gain of 12.4% or +14,325 TEUs over last July.

The two British Columbia ports went in different directions. At Prince Rupert, outbound loads slumped by 9.6% (-1,634 TEUs), while Vancouver recorded a 1.5% (+1,396 TEUs) gain. The result was a slight 0.2% (-238 TEUs) fall-off in exports.

Looking solely at the sixteen U.S. mainland ports that we monitor, July's container export trade increased 1.4% (+14,961 TEUs) from a year earlier. The Big Five USWC ports in July accounted for a 39.3% share of all loaded outbound TEUs shipped out of U.S. mainland ports, down from a 40.3% share a year earlier.

Focusing now on outbound loads from the seven major container ports on the Pacific Coast in the U.S. and Canada, export traffic declined by 0.9% (-5,020 TEUs) from last July. The USWC share of the Pacific Coast container export trade in July amounted to 79.8%, off slightly from 80.0% a year ago.

Totals to date. The 9,758,208 loaded and empty TEUs the two San Pedro Bay ports handled in this year's first seven months were down 0.3% (-25,883 TEUs) from last year at this juncture. As a result, their collective share of total container traffic through the sixteen mainland U.S. ports we survey declined to 33.8% from 35.2% at this point in 2018.

Weights and Values. Nearly all discussions of container trade are denominated in TEUs. Here, though, we present two alternative metrics – the declared weight and value of the goods contained in those TEUs -- in hopes of further illuminating recent trends in the container trade along the USWC.

Exhibit 4: USWC Ports and the Worldwide Container Trade. Exhibit 4 continues to plot the steady decline in the volume of containerized imports at USWC ports. The two San Pedro Bay ports saw their combined share of containerized import tonnage in July slide to 28.1% from 29.8% a year earlier. Similarly, the two experienced a parallel drop in the declared value of containerized imports to 35.8% from 37.1% last July. Oakland fared better, holding serve on its tonnage share while slightly growing its value share. The NWSA ports lost tonnage share but saw their value share nudge up.

Exhibit 4 USWC Port Regions' Shares of U.S. Mainland Ports Worldwide Container Trade, July 2019

	Jul 2019	Jun 2019	Jul 2018
Shares of U.S. Mainland Ports Worldwide Containerized Import Tonnage			
LA/LB	28.1%	27.3%	29.8%
Oakland	4.1%	4.1%	4.1%
NWSA	5.2%	5.2%	5.7%
Shares of U.S. Mainland Ports Worldwide Containerized Import Value			
LA/LB	35.8%	35.1%	37.1%
Oakland	3.7%	3.8%	3.6%
NWSA	6.9%	6.9%	6.8%
Shares of U.S. Mainland Worldwide Containerized Export Tonnage			
LA/LB	20.5%	21.5%	23.1%
Oakland	5.8%	6.0%	6.0%
NWSA	7.7%	7.9%	8.4%
Shares of U.S. Mainland Worldwide Conatainerized Export Value			
LA/LB	20.5%	20.7%	22.5%
Oakland	6.2%	6.0%	5.9%
NWSA	4.4%	4.5%	4.6%

Source: U.S. Commerce Department.

On the export side, the Southern California ports continued to lose market share, whether measured in tonnage or dollar value. Oakland's shares diverged, with export tonnage down but export value up. The NWSA ports shares trended downward in both tonnage and value of exports.

Exhibit 5: USWC Ports and the East Asia Trade. Turning now to the July figures on containerized imports arriving at U.S. mainland ports from East Asia, we see that the Ports of Los Angeles and Long Beach saw their combined share of import tonnage edge lower to 44.8% from 45.3%, while their collective share of import value declined to 52.5% from 53.3%. Elsewhere along the coast, Oakland

Parsing the July 2019 Loaded TEU Numbers Continued

Exhibit 5 USWC Port Regions' Shares of U.S. Mainland-East Asia Container Trade, July 2019

	Jul 2019	Jun 2019	Jul 2018
Shares of U.S. Mainland Ports' East Asian Container Import Tonnage			
LA/LB	44.8%	44.2%	45.3%
Oakland	4.5%	4.8%	4.4%
NWSA	7.6%	7.7%	8.2%
Shares of U.S. Mainland Ports' East Asian Container Import Value			
LA/LB	52.5%	51.8%	53.3%
Oakland	4.1%	4.5%	4.0%
NWSA	9.8%	9.8%	9.5%
Shares of U.S. Mainland Ports' East Asian Container Export Tonnage			
LA/LB	35.7%	36.3%	37.5%
Oakland	9.2%	9.3%	8.8%
NWSA	13.2%	12.8%	13.7%
Shares of U.S. Mainland Ports' East Asian Container Export Value			
LA/LB	41.4%	41.1%	45.2%
Oakland	11.1%	11.0%	10.7%
NWSA	9.1%	8.6%	9.2%

Source: U.S. Commerce Department.

improved its East Asia import tonnage and value shares, while the NWSA ports saw their tonnage share drop but their value share increase.

On the export side, San Pedro Bay's share of containerized exports to East Asia declined significantly in both tonnage and value terms. Oakland's numbers improved, but NWSA's did not.

Who's #2?

It's now the Port of New York and New Jersey again. We do not have August's container counts from PNYNJ yet, but through the first seven months of the year, the East Coast gateway reported having handled 4,315,835 loaded and empty TEUs, ever so slightly more than the 4,307,415 TEUs handled at Long Beach. Neither port is close to toppling the Port of Los Angeles from its status as the nation's busiest container port. LA handled 5,450,793 total TEUs through the year's first seven months.

First Glimpse at August's Numbers

The Ports and Los Angeles and Long Beach did their customary Mutt and Jeff routine in August, with LA posting a 4.1% (+17,040 TEUs) gain in import loads, while Long Beach sustained a 5.9% (-20,249 TEUs) drop. Together, the San Pedro Bay ports handled 3,209 (-0.4%) fewer inbound loads than in the same month a year ago. On the export side, outbound loads from the two ports were down 3.8% (-10,753 TEUs) from last August.

The Port of Oakland showed notable improvements over last August in both inbound loads (+3.1%) and outbound loads (+1.1%). At the NWSA ports of Seattle and Tacoma, import loads were down 2.6% but export loads edged higher by 0.9%. Further north, in British Columbia, Vancouver recorded major year-over-year increases in August, with import loads up 7.7% and export loads up 6.9% over last year. Even further north, Prince Rupert saw its inbound loaded traffic jump by 86.3% to 71,453 TEUs from 38,355 TEUs last August. Export loads meanwhile rose 6.2%.

Jock O'Connell's Commentary:

Après la Chine

There's no question that trade between the world's two largest economies is a big deal. So there's no question that the trade fight President Donald Trump has chosen to pick with China is in search of an equally big deal. We may see one next month when American and Chinese officials have a sit-down in Washington. But, having been through this drill too many times and knowing just how complex the issues to be resolved are, I wouldn't encourage anyone to hold his or her breath while awaiting an agreement that is more than cosmetic.

Meanwhile, the matter of exactly how the Sino-American trade dispute has been affecting life on this side of the Pacific has been a subject of lopsided contention. On the proverbial one hand, virtually every serious economist and business organization (including such leftwing stalwarts as the U.S. Chamber of Commerce) have been tabulating the mounting cost of Trump's tariffs to American consumers and businesses. On the other hand, the president continues to maintain that it's the Chinese who are the ones paying the tariffs he has been imposing. And the president's hawkish trade advisor Peter Navarro has lately gone on air to insist there's no evidence that the tariffs are adversely affecting the U.S. economy. That, I suppose, makes him the Oedipus of this drama, the man who would pluck out his eyes rather than see the damage he has wrought.

In truth, tariffs affect different people and businesses in different ways. If you're among the cultists who eagerly pay exorbitant markups to own the latest iPhone, higher prices due to increased import duties will likely be sloughed off as a penalty for vanity. By contrast, the 75-year-old Pennsylvania small business-owner, who imports horse-drawn carts on behalf of his Amish neighbors, is more apt to see his company fail in the face of a new 25% levy on a product apparently no longer manufactured in the USA.

Of course, prominent among those most directly affected by the trade conflict with China are those who actually handle the trade. Indeed, if your personal welfare is in any way associated with the operations of U.S. seaports, especially those along the West Coast, another round of failed negotiations may make it feel like it's time to go to the mattresses.

For years now, the People's Republic of China has dominated maritime trade through the maritime gateways of the U.S. West Coast. And, despite steadily intensifying tensions between Washington and Beijing, the China trade still accounted for 50.5% of the $177.76 billion in containerized imports that entered all USWC ports (including the so-called niche ports in California, Oregon, and Washington State) during the first half of this year.

To be sure, the impact of the inbound China trade varies from port to port. At the Los Angeles-Long Beach complex, 58.3% of the 24,408 million metric tons of containerized imports in this year's first half came from China, down from 59.2% a year earlier. The NWSA Ports of Seattle and Tacoma are somewhat less dependent on Chinese imports, which accounted for 48.5% of the 4,634 million metric tons of containerized imports that arrived at those ports during this year's first six months, down from 52.3% last year. Least reliant on China as an import provider is the Port of Oakland, where just 34.5% of the port's 2,282 million metric tons of import tonnage in this year's first half came from China, down from 39.9% a year earlier.

Still, as outsized a role China plays in the maritime trade passing through USWC ports, we mustn't lose sight of the fact that the China trade is not the only show in town. We do, after all, import goods from other nations. So who are the non-Chinese countries from which USWC ports receive containerized imports and have their rankings changed much since the Great Recession?

Exhibits A and B look at containerized import tonnage from the five leading non-China sources of containerized import tonnage in the first-half of each year from 2010 to 2019 at the Ports of Los Angeles and Long Beach and at the Northwest Seaport Alliance Ports of Seattle and Tacoma. Because the Port of Oakland boasts a somewhat unique import trade, **Exhibit C** will track that port's eight trading partners through those same years.

As Exhibit A shows, Japan, which was the second largest import source at the Los Angeles/Long Beach port complex in 2010, saw its share of total import tonnage through the Southern California gateway drop from 5.6% to 4.7% last year and to 4.2% in this year's first half. That

Commentary Continued

was the result of both the rise of competitors as well as the fact that Japan shipped 5.5% less containerized tonnage to LA/LB in the first-half of 2019 than it had in the same months of 2010.

South Korea followed Japan's pattern, seeing its share of imports decline from 5.4% in 2010 to 4.0% this year as the volume of its shipments dropped by 2.0%. Although Taiwan and Thailand both saw appreciable increases in their shipments to LA/LB (24.7% and 48.4%, respectively) between 2010 and 2019, the big winner was obviously Vietnam. With imports increasing by 170.8% from 2010, Vietnam's share of the containerized import trade at LA/LB soared from 2.9% in 2010 to 6.3% this year. All indications are that Vietnam will continue to see its share of the U.S. import trade rise, largely at China's expense.

Of interest should be several other nations that posted increases in containerized import tonnage at LA/LB that were nearly as impressive as the pace recorded by Vietnam, albeit from a smaller base. For example, import tonnage from India rose by 90.3%, while Spain (189.4%), Turkey (129.2%), and Cambodia (151.1%) more than doubled their shipments to LA/LB. Even eternally-imperiled France posted a remarkable 88.5% gain in import tonnage since 2010.

Up at the Northwest Seaport Alliance Ports of Tacoma and Seattle, the containerized import picture is somewhat different. China is the foremost player, although its share of import tonnage has steadily deteriorated from 63.6% in 2010's first-half to 48.5% this year. As for the second-tier importers at the NWSA ports, Japan has seen its share fluctuate, with a high of 10.2% in 2012 before landing at 8.6% this year.

Exhibit A **After China, The Next Five Exporting Nations to San Pedro Bay: 2010-2019**

Source: U.S. Commerce Department

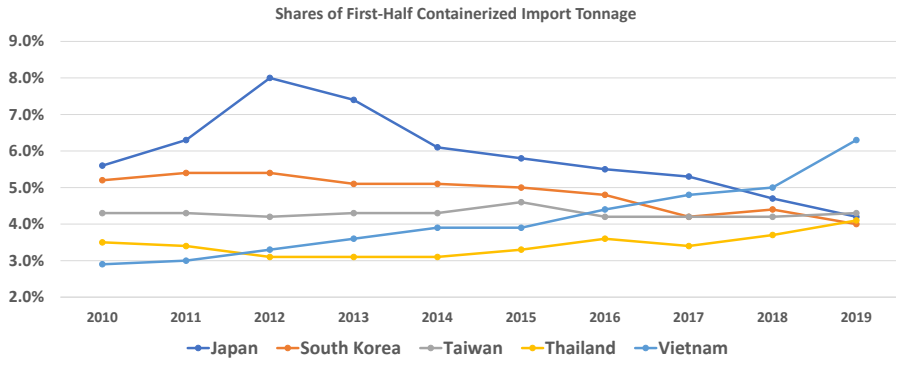
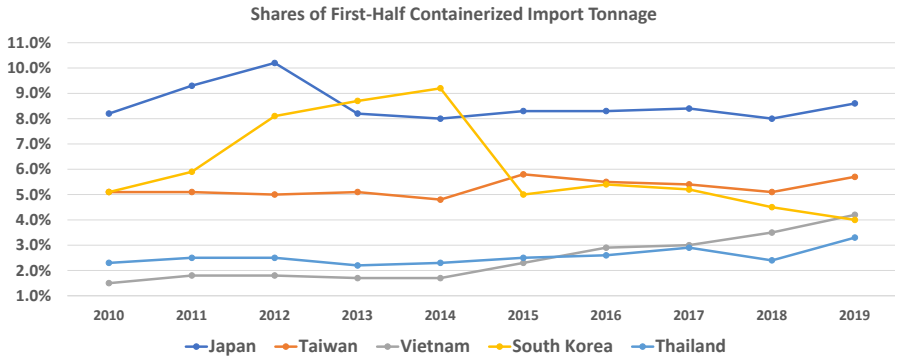


Exhibit B **After China, The Next Five Exporting Nations to NWSA: 2010-2019**

Source: U.S. Commerce Department



Since 2010, first-half containerized tonnage from China has declined by 15.8%, while tonnage from Japan and Taiwan increased by 15.6% and 24.2%, respectively. Tonnage from South Korea, however, has fallen by 11.8%. Reflecting shifts in sourcing of imports and the migration of manufacturing into Southeast Asia, some of the fastest-growing shippers of containerized import tonnage through the NWSA since 2010 are Vietnam (196.7%), Thailand (58.8%), Indonesia (73.5%), Malaysia (56.3%), and India (239.8%).

Commentary Continued

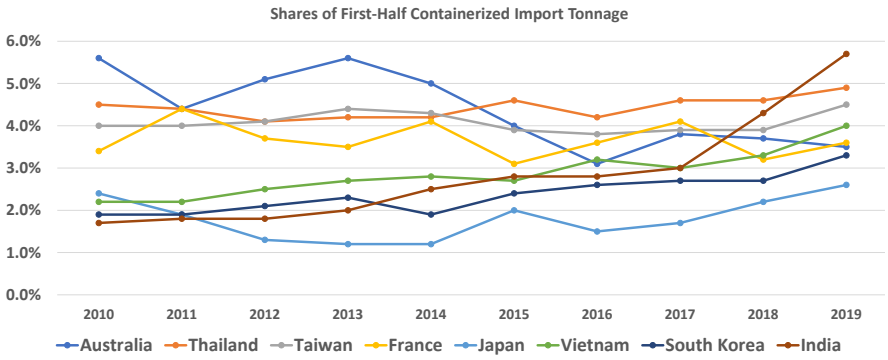
The picture is more complicated at the Port of Oakland, where the unique nature of Northern California's import trade involves a wider variety of trading partners. **Exhibit C** (pardon the linguine of lines) shows that imports from India have risen fastest. Indeed, so far this year, India is Oakland's second largest importer (after China) with a 5.7% share, up from 1.7% in 2010. As might be expected, Vietnam's share of imports also jumped from 2.2% to 4.0%.

India's rise appears due to a recent surge in imports of soybean meal as well as ornamental stone. France's prominence rests largely on shipments of wines, both bottled and in bulk. In that vein, the sharp dip in Australia's import share starting in 2013 pretty much coincides with the time I began substituting the Aussie plonk we had been inflicting on our guests with inexpensive Chilean wines. In contrast to the San Pedro Bay ports and the NWSA ports, where the two top containerized imports by weight are furniture products and automotive components, Oakland's two leading imports by weight are empty wine bottles and wine.

From a historical perspective, certainly one of the more remarkable overall trends involves the diminishing role of Japan in the USWC containerized import trade. In tonnage terms, its share of coastwide import tonnage declined from 5.7% to 4.8%. So? Well, those of us who were doing trade back in the 1980s will recall that Japan's economic rise had unnerved American officials every bit as much as China's rapid emergence as an economic rival has caused consternation in Washington today.

Exhibit C **After China, The Next Five Exporting Nations to Oakland: 2010-2019**

Source: U.S. Commerce Department



The reaction of U.S. leaders to Japan's rise then was understandable. After all, members of the Greatest Generation, who had fought an actual war against Japan four decades earlier, still held influential positions in our nation's political and business leadership. So it is with a somewhat bemused sense of irony that I conclude this commentary by noting that today mighty Japan ships less containerized tonnage to USWC ports than does Vietnam, a nation my Boomer generation remembers as keenly as the draft lottery numbers we were assigned in 1969. (Mine was 105.)

Disclaimer: *The views expressed in Jock's commentaries are his own and may not reflect the positions of the Pacific Merchant Shipping Association.*

Political Polarization in the Northwest

By Jordan Royer
Vice President, Pacific Merchant Shipping Association

It is no secret that we are living in politically polarized times. Public policy positions are judged adequate or not largely by which side proposes or opposes them. The distrust and animosity between the Republican Administration and the Blue State of Washington is resulting in uncertainty and confusion for industries operating here – particularly those in the trade community. The perception and/or the reality of gutting of federal environmental standards is providing Democratic leaders and regulators in Washington State license for regulatory expansion into the federal realm. It also makes it more difficult for government and industry to collaborate on common sense regulations and projects to improve environmental performance while continuing to be competitive with other port gateways.

Tacoma provides an example of some of the challenges we face. While Tacoma has historically not experienced political controversy on the scale of Seattle, a battle is now brewing over a liquefied natural gas (LNG) facility to fuel ships. The LNG facility was part of the Clean Air Strategy of the ports as well as the Governor's environmental "Maritime Blue" initiative. State and local regulators encouraged Puget Sound Energy to partner with TOTE Maritime (a vessel line with service between Tacoma and Alaska) to switch to LNG propulsion because of the environmental benefits.

Four years ago, Governor Jay Inslee signed tax incentive legislation to build the facility and said this:

"This may be something that we will look back at and perhaps (take) note," Inslee, a Democrat, said at the conclusion of the Legislature's session in mid-March. "This is the first time a tax incentive will be tied to concrete carbon-emission reductions and includes other real accountability measures to ensure taxpayers receive maximum return on their investment."

And Jessica Finn Coven, state director for Climate Solutions, said: *"I'm very pleased they are looking at ways to significantly reduce their greenhouse gases. That should be applauded."*

Source: Tacoma News Tribune

But that was then and this is now. The Governor now opposes the project even though his Department of Ecology has permitted it. The Puget Sound Clean Air Agency has issued two extensive environmental reviews that show it is beneficial to the environment and human health. But a battle now rages over the once popular project with port industrial businesses and the Tacoma Port Commission on one side and the Puyallup Tribe and environmental activists on the other. It has made the port commission races for two open seats this year highly competitive for the first time in many years.

It has also exposed plenty of irony which is becoming a hallmark of our political times. While the Puyallup Tribe opposes the LNG facility because of GHG emissions, they own and operate seven gas stations in Pierce County. They are also building what will be one of the largest casinos in the county which will utilize natural gas provided by Puget Sound Energy.

In Seattle, where political dysfunction is at its zenith, an outgoing councilmember is pushing a package of proposals under a Seattle Green New Deal. Included are things like a ban on all new natural gas hookups, a 24-cent tax on home heating oil, and a 100% ban on natural gas and heating oil by 2030. But again, there is a fair amount of irony here: the Councilmember admits he uses natural gas to heat his home and to cook. He feels bad about it though.

The Washington State Department of Ecology has been urging people to switch to natural gas for many years. Wood burning has been a major problem in Puget Sound, creating air quality issues and leading to being out of compliance with EPA standards. The Puget Sound Clean Air Agency offers incentives for homeowners to convert to natural gas.

Political Polarization in the Northwest Continued

It wasn't very long ago that the maritime industry, non-governmental groups, ports and regulators collaborated on initiatives to reduce air emissions while promoting family wage waterfront jobs. Great examples of that work are in the Puget Sound Maritime Air Emissions Inventories. The latest inventory in 2016 provided an update to the 2005 baseline and 2011 inventories. The three successive inventories demonstrated steady and significant reductions in NOx, SOx, Diesel Particulate Matter as well as greenhouse gases.

One of our strategies was to push the adoption of MARPOL ANNEX VI at the International Maritime Organization which led to the development of the North America Emissions Control Area (ECA). The ECA has significantly reduced sulfur content of fuels from a maximum of 3.5% down 35 fold to 0.1% inside 200 miles. The worldwide sulfur reduction in fuels used anywhere at sea will be implemented at the end of this year and will lead to significant additional reductions.

While we hope to continue this kind of collaboration on these and other issues like stormwater runoff, freight mobility, and measures to improve the competitiveness of the PNW Gateway, we are concerned that political dysfunction threatens the progress we have made together.

The chaos and government agencies working at cross purposes make it almost impossible to get support for common sense solutions to environmental challenges. The breakdown of trust and the discounting of science if it doesn't fit a rigid ideological orthodoxy are a threat to our economic well being and ability to work together. The collaboration of the last decade between industry, regulatory agencies, non-profits, the ports and others has led to tangible environmental improvements. The political environment that allowed that to occur is no longer there.


The Northwest Seaport Alliance

Interested in membership in PMSA?
Contact Laura Germany for details at: lgermany@pmsaship.com or 510-987-5000.

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August Dwell Time Numbers Are Down