



# COMMENTARY

Center for Strategic and International Studies ■ Washington D.C.

## Understanding Today's Trade

By Tanya Primiani and Christopher Sands

March 23, 2006

The revelation of a deal that would have placed terminal facilities at six of the largest U.S. seaports under the control of a company owned by the United Arab Emirates – and the commentary that followed – also revealed something else: how little most of us know about the transportation logistics behind today's trade.

When the subject of port facilities comes up, it is hard not to think of Marlon Brando in *On the Waterfront*, or more benignly, of Otis Redding *Sitting on the Dock of the Bay*. The reality of port operations in the United States and around the world leaves little chance for “watching the tide roll away” or for “wasting time.”

Since the advent of container shipping, all kinds of products have moved in steel boxes – more than 10 million containers passed through U.S. ports in 2005, a big increase over 2004. Competitive pressure to keep inventories from piling up has led to “Just-in-Time” delivery schedules that place a premium on keeping goods on the move. Sometimes as little as a 20-minute delay can shut down an assembly line.

Many Americans learned that lesson on September 11, 2001, when officials on the Canadian border closed some crossings for just 20 minutes and automobile plants from Michigan to Missouri were forced to close, with workers sent home unpaid for hours they could not work.

And before Hurricane Katrina, how many of us knew the importance of the Port of New Orleans to U.S. agricultural exports?

Across the United States, there are similar stories about the underestimated value of transportation hubs and bottlenecks, and congestion often seems to be a bigger problem than security – except when security is the cause of the congestion.

This is where our lack of knowledge about transportation logistics – a dry, but vital subject – can be a danger. Security is of course the top priority of everyone involved in U.S. trade, and matters more to most Americans than saving a few dollars because goods move faster through ports and roadways. Yet the key to securing trade is remembering our common sense: security measures should be designed to provide maximum benefits at a minimum cost, which is only possible when security measures accommodate today's fast-paced trade.

Striking the right balance is critical, and by and large U.S. officials have done a good job since September 11 by keeping this in view. But all it takes is for a rumor about a Dubai company to spread, and too many people respond in a panic. Why? Because as little as we understand about transportation logistics, we know and appreciate even less about transportation security.

So much value rides in shipping containers, it is not surprising that some of the best minds in the technology sector have been working overtime to produce “smart” containers that are sealed and monitored electronically by a device inside the container that transmits information to customs officials about the container’s contents, its global position at any moment, and any attempt to open the box and tamper with the contents. This device is the latest innovation from a team of engineers at General Electric, Siemens, and Mitsubishi – three rivals that joined forces for this project.

Such technology helps U.S. Customs inspectors to zero in on any suspicious container “Just-in-Time” – that is, without holding up the flow of legitimate goods. The principle behind this is known as “risk management,” but more fundamentally it is common sense-security aided by information technology, a very American combination.

This time around, the deal fell through and Congress did not have a chance to fully debate the security of our ports. We can only hope that this debate, when it happens, will be informed about today’s realities and guided by common sense.

More importantly, all of us need to update our understanding of international trade and transportation logistics. It may be technical, but it certainly isn’t “wasting time.”

*The Center for Strategic and International Studies (CSIS) is a private, tax-exempt institution focusing on international public policy issues. Its research is nonpartisan and nonproprietary. CSIS does not take specific policy positions; accordingly, all views, positions, and conclusions expressed in these publications should be understood to be solely those of the authors.*