

## **Southern California's future as hub of PAC Rim trade hinges on L.A. infrastructure projects, according to recent study**

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With a whopping \$207 billion in international trade in 1995, Los Angeles has surpassed New York as the nation's leading trade center. Nearly two-thirds of the state's international trade now passes through Los Angeles' air and sea ports, making the region, with its strategic location, the de facto American gateway for Pacific Rim trade.

But, the region's future as a world trade center, along with the significant number of jobs this volume of international trade generates, could be stymied if Los Angeles fails to meet the serious challenges it faces in the expansion of its transportation and infrastructure projects, according to a study commissioned by the California Policy Seminar, a University of California program.

"Today, more than 25 per cent of greater Los Angeles' \$400 billion economy -- the world's 11th largest -- depends upon global trade, up from 13 per cent in 1972," said Steven P. Erie, a professor of political science at University of California, San Diego and the principal investigator for the project.

"But," he cautioned, "the region could become a victim of its own success. Unprecedented congestion threatens its airports, rail, and highway systems -- and the problem could worsen. Asia, our chief trading partner, is the world's fastest-growing region. As a result, already-crowded ports and airports face a doubling, even tripling, of demand by 2015."

According to Erie, the L.A. region is trying to plan for this growth. Over the next 25 years, Los Angeles and Long Beach, the nation's top two container ports, plan to spend \$4 billion on port expansion, nearly \$2 billion on the Alameda Corridor rail project, which links the ports to the downtown railheads, and at least \$2 billion to \$3 billion for new international passenger and air cargo facilities at LAX. This represents the largest trade-infrastructure program in the nation.

In spite of these plans, funding shortfalls and misplaced budget priorities could stall one or more of these projects, which in turn could seriously damage the economic health of the region, says Erie.

"There is widespread concern that current policy and funding priorities are inadequate to the challenges of global competition."

According to the study, as many as 700,000 regional trade and transportation jobs -- nearly 20 per cent of the area's estimated 25-year job growth -- depend upon expanding the ports and completing the corridor. And, because of limited facilities and modest expansion plans in San Diego, trade and job growth in the San Diego region also depend on timely completion of these projects.

While rail and port expansion are vital to Southern California's future economic vitality, international airports contribute the most to a region's economy so the adequate and timely expansion of airport facilities is critical.

"Airports are the region's real Achilles' heel," said Erie. "The problem is that all the region's international eggs, both cargo and passenger traffic, are in one basket -- LAX, and that basket is nearly full. LAX expansion plans are a case of too little, too late, and at too great a financial and environmental cost. LAX has intractable, long-term capacity constraints in every way: air space, land, runways, taxiways, and ground transportation."

According to the study, the state of California, in conjunction with its regional transportation planning agencies, needs to develop a funded goods-movement policy and regional freight master plans to better promote trade, airport, and seaport expansion, improved ground access to the ports and airports, and internodal rail projects.

"Given the vital importance of global trade to the California economy, and the need to expand the state's import/export infrastructure, state policy makers and regional transportation planning agencies (like the Southern California Association of Governments) need to make goods-movement planning and priority funding of internodal projects, central elements of a globally oriented economic development strategy for the 21st century," said Erie.

The research, which was completed by Professor Erie in collaboration with Harold Brackman, a consultant to the Simon Wiesenthal Center, and James E. Rauch, a professor of economics at UCSD, also includes a series of recommendations relating specifically to the airport, port, and rail expansion projects examined in the research.

For more information or to obtain a copy of the study, titled International Trade and Job Creation in Southern California: Facilitating Los Angeles/Long Beach Port, Rail, and Airport Development, contact the California Policy Seminar at (510) 642-5514 or via e-mail: CA.PolSem@ucop.edu. A summary of the study is also available on the California Policy Seminar website: <http://www.ucop.edu/cps>

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