Death by Doha

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A Hobson's choice is a free choice in which only one option is offered. Thomas Hobson (1544-1630), an English livery stable owner, rotated the use of his horses by offering customers the choice of either taking the horse in the stall nearest the door — or taking none at all.

To many observers, a Hobson’s choice was offered — and declined — at the end of July in Geneva when talks to expand the World Trade Organization through the Doha Round collapsed.

Christian Bjornskov, a Danish economist, has developed a “blame index.” Among the culprits: Brazil, (and other Third World food exporters); India, seeking to protect its weak industries from competition; the U.S., projecting opaque positions while hiding behind the protectionist positions of other states; and the European Union, failing to overcome its agricultural policy. Perhaps in self-defense, Peter Mandelson, European Union trade commissioner, called the Doha Round “a collective failure.” Regardless, this failure is the latest in a string of setbacks. Seattle (1999) Cancun (2003) and Geneva (2006) all had similar results.

Meanwhile, in the United States, debate about free trade rages. The presidential election has challenged both candidates to stake out nuanced positions in an increasingly tumultuous domestic economy. This is the logical extension of Clive Crook’s “fruitful lie,” which contends that most free-trade benefits accrue from cheaper imports. While benefits diffuse throughout the entire economy in a less-than-obviously-visible manner, disruptions are usually concentrated in a few industries.

In our world, transportation has grown exponentially along with globalization. In its own right, logistics now represents 10 percent of the U.S. economy, while trade represents nearly 30 percent.

One only needs to look as far as CNN’s Lou Dobbs to surmise that few people understand the overall impact of trade — and even less understand the nuances of freight transportation.

• During the short-lived attempt of Dubai’s DP World to purchase the U.S. assets of P&O Ports, Dobbs led the hysterical reaction against the purchase. He failed to understand that terminals are not ports. Cargo is loaded by shippers, not ports; and security is provided by the U.S. government, not ports.

• Foreign investment in the U.S. has long been commonplace. Transportation in the U.S. would look very different had not foreign money (from Europe) supported the Erie Canal and 19th century railroads.

• There is no “secret plan” to build a “NAFTA Superhighway” from Mexico to Canada. Furthermore, despite Dobbs’ claims, the number of containers moving from Mexican ports directly into the United States is trivial.

• Dobbs trumpets the “wisdom” of 100 percent scanning without thinking through or articulating any of the mechanics.

Is it any wonder our industry languishes in a policy backwater? Why do so many fail to understand that trade, transportation and logistics are changing rapidly? The world economic model established at Bretton Woods in 1944 is obsolete. Nations such as China and India no longer feel compelled to play by rules imposed on them. The benefits of their WTO membership (i.e., lowered tariffs) have already been realized.

New York Times correspondent David Sanger identifies the next stage as a contest of sophisticated manufacturing capacity, know-how and capital (i.e., cheap exports are now passé). While past analysis debated the relative benefits between the “Japan” and “American” economic model, Sanger points out that there is no “China” model because China has already blended best-in-breed aspects of capitalism and state control.

Lacking a multilateral trade forum, bilateral trade deals may become more common. This will require the transportation industry to repeatedly adapt to changing market demands. The transportation industry has enabled Brazilian iron ore to become Chinese steel turned into appliances shipped to Long Beach and moved to Chicago. As populations and incomes change, the manufacturing locus will inevitably change. What assets will be “stranded,” and how will we accommodate change? Will modal shifts transform our industry?

The global economy is based on an oil-based global supply chain that may no longer be viable. The alternative is likely to mean more redundancy in assets, infrastructure and sourcing options. Once again, the transportation industry will need to provide the underlying solution. How the industry functions in a new world economic and trade model will likely be a leading indicator of our economic health.

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