

By the Numbers:

Jeopardizing the National Benefits of Trade Through America's Busiest Port Complex

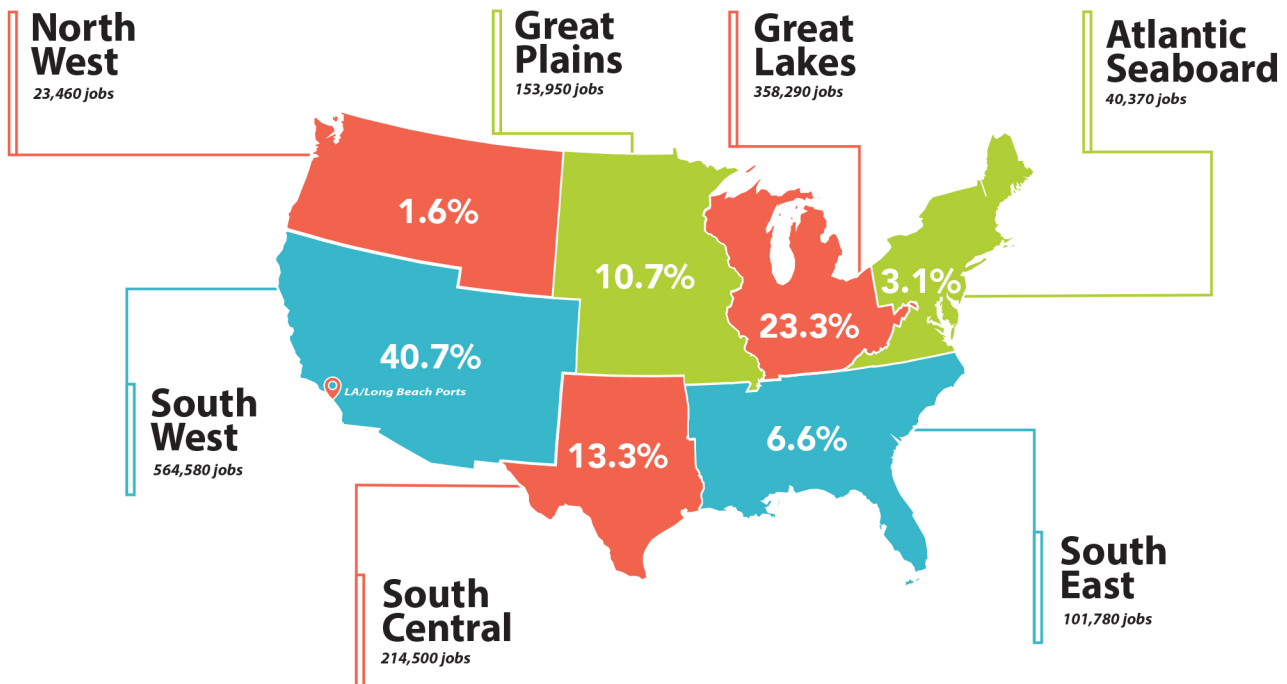


STUDY OVERVIEW

The Southern California ports of the Port of Los Angeles and the Port of Long Beach ("the L.A. port complex or Ports") are together the nation's busiest container port complex and its primary gateway for waterborne trade between the United States and Asia. In 2018, these ports handled almost \$380 billion dollars of trade goods. This represents 22.4% of all U.S. waterborne trade and 42.3% of U.S. waterborne trade with Asia.

The L.A. port complex connects businesses and consumers across the entire nation to trading partners in Asia. 37% of all imported goods and 21.7% of all exported goods flow through the Ports, touching every state in the nation.

Percent Value of Containerized Trade & Jobs Related to Trade Affected By Tariffs Moving Through L.A. Port Complex



Because of this interconnection, trade through the L.A. port complex has economic impacts on a national level. There are 3 million jobs nationwide that are related to the trade moving through the Ports, of this nearly 1.47 million jobs are related to the cargo affected by tariffs. These jobs are tied to producing goods for export and moving them to overseas markets, as well as transporting, wholesaling, and retailing imported goods. While the majority of imported goods through the Ports are finished goods ready for store shelves, 25% of L.A. imports are inputs to domestic manufacturing and production processes, supporting even more jobs here in the U.S.

IMPACTS

Beginning in 2018, the United States proposed and imposed a variety of tariffs on imported commodities citing concerns over national security or unfair trade practices. In retaliation, trading partners have imposed or proposed tariffs on U.S. exports. Tariffs imposed by the U.S. are charged to the companies importing goods, not to the foreign countries. Essentially, tariffs constitute a tax that importers, faced with higher costs, will either absorb or pass along to consumers in the form of higher prices.

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On the export side, tariffs on U.S. exports raise the relative price of U.S. goods compared to the price of competing goods supplied by other countries. For example, a tariff on U.S. soybeans makes them more expensive to buy compared to Brazilian soybeans. This can lead foreign buyers to switch away from U.S. exporters, leaving U.S. exporters scrambling to find new customers or even face the prospect of a permanent loss of business in the global market.

The full impact of these tariffs – in terms of higher prices, lower profitability, or shifting trade routes – is not estimated in this analysis. There are also differing impacts in the short-term versus the long-term. Some companies can quickly relocate production, or find other alternatives. Some companies can weather a short-term price spike but will have challenges as tariffs are ratcheted higher and their ripple effects spread throughout the economy. Because of the countless individual decisions made by consumers, manufacturers, farmers, and retailers as they each choose their own responses to the disruption caused by these tariff increases, it is impossible to predict the exact outcome of these successive rounds of tariffs. However, as the nation's primary gateway with Asia, the L.A. Ports serve as a bellwether for the impacts of the escalating trade war. As such, the Port of Los Angeles commissioned a study of the amount of trade through the Ports exposed to tariffs and retaliatory tariffs.

ANALYSIS

In early 2019, the Port of Los Angeles commissioned BST Associates to assess the amount of trade exposed to tariffs and retaliatory tariffs. The analysis provides an estimate of the value (and volume) of trade that may be impacted by tariffs, and uses the value to estimate the economic impacts (jobs, income, and taxes) associated with the trade impacted by tariffs. It is important to note the analysis does not estimate the percentage change in volume or price for impacted commodities.

Tariff Type	Imports	Exports (Retaliation)
Section 232 of the Trade Expansion Act of 1962	Steel: All countries except Argentina, Australia, Brazil, Canada, Mexico, and South Korea Aluminum: All countries except Argentina, Australia, Canada, and Mexico	Various Products: Imposed by China, the European Union, India, Russia, and Turkey
Section 301 of the Trade Act of 1974	Various Products (in 4 Rounds): China	Various Products (3 Rounds): Imposed by China

Most of the import tariffs that have been imposed or proposed are directed at China, including a portion of the Section 232 tariffs and all of the Section 301 tariffs. China accounts for \$166.6 billion (54%) of the \$309.6 billion in imports moving through the L.A. Ports. Tariffs have been placed on \$161.8 billion (97.1%) of this trade. Tariffs on other trading partners cover another \$1.4 billion in imports, meaning that 52.7% of all import trade value through the L.A. port complex is now subject to higher tariffs.

China also accounts for the largest share of waterborne exports moving through the L.A. port complex, although not as large a share as it does for imports. China purchases 29.4% of U.S. exports moving through the L.A. port complex, or \$20.6 billion of the total \$70 billion in L.A. exports. China's retaliatory tariffs hit 96.6% of their purchases of U.S. exports through the L.A. port complex, worth \$19.9 billion. Additional retaliatory tariffs by other nations bring the total value of impacted export cargo to \$20.2 billion, or 28.8% of all export value through the L.A. Ports.

Trade Through America's Busiest Port Complex



L.A. PORT COMPLEX TRADE	IMPORTS	EXPORTS	TOTAL
TOTAL TRADE	\$309.6 billion	\$70.0 billion	\$379.6 billion
TRADE EXPOSED TO TARIFFS	\$163.2 billion	\$20.2 billion	\$182.6 billion
% SUBJECT TO TARIFF	52.7%	28.8%	48.1%
JOBS AT RISK OF IMPACT	1,259,970 jobs	206,790 jobs	1,466,760 jobs

The 3 million jobs in the U.S. associated with the total trade through the L.A. port complex are calculated for each state based on the state's mix of imported and exported cargo, as well as the unique economic impact multipliers for each industry sector in each state. Over half of the national jobs involved with the trade moving through the L.A. port complex, nearly 1.47 million jobs, are related to the cargo now seeing the impacts of tariffs applied to them.

On the export side, these jobs are calculated for each economic sector tied to the manufacturing and transportation of these export goods:

• Crop and animal production	• Furniture and related product manufacturing
• Mining, except oil and gas	• Textile and textile product mills
• Primary metal manufacturing	• Printing and related support activities
• Computer and electronic product manufacturing	• Plastics and rubber products manufacturing
• Motor vehicle, body, trailer, and parts manufacturing	• Oil and gas extraction
• Other transportation equipment manufacturing	• Nonmetallic mineral product manufacturing
• Paper manufacturing	• Machinery manufacturing
• Chemical manufacturing	• Food, beverage, and tobacco product manufacturing
• Forestry, fishing, and related activities	• Miscellaneous manufacturing
• Wood product manufacturing	• Apparel, leather, and allied product manufacturing
• Fabricated metal product manufacturing	• Petroleum and coal products manufacturing
• Electrical equipment and appliance manufacturing	• Unknown

On the import side, the available data is unable to capture the broader economic impact of domestic production that uses imported components to complete production, which is the destination for 25% of imported cargo through the L.A. Ports. As a result, the estimate of economic impacts associated with imports covered by tariffs is conservative.

This analysis shows the total share of the national economy that is potentially affected by tariffs and retaliatory tariffs by examining just the trade through one of the U.S.'s trade gateways. While the L.A. Ports handle the largest share of the U.S. waterborne trade, especially its trade with China, an extension of this analysis by other U.S. trade gateways would show an even broader swath of the U.S. economy that faces disruption due to the ongoing trade disputes. It is important for policymakers and the general public to understand that tariffs are not just the concerns of big companies or political leaders, but can have impacts that reach each of us where we live, shop, and work.

States with Greatest Number of Jobs at Risk:

State	Jobs at Risk
1. California	400,700
2. Texas	189,830
3. Illinois	92,760
4. Ohio	82,870
5. Michigan	69,480
6. Arizona	62,790
7. Indiana	43,890
8. Missouri	40,990
9. Colorado	40,780
10. Wisconsin	40,030

Congressional Districts Outside of California with Greatest Value of Goods Subject to Tariffs:

State	Congressional District	Total Companies	Value of trade	% exposed to tariffs
NY	12	503	\$2,397,637,019	75.55
TX	24	400	\$1,973,873,361	66.63
IL	8	658	\$1,401,980,539	39.47
WA	7	90	\$1,216,484,160	85.47
MI	11	261	\$1,201,892,269	74.75
GA	6	146	\$1,057,206,273	72.86
TX	2	272	\$898,495,121	59.21
FL	22	130	\$888,696,146	98.33
TN	9	213	\$721,520,470	60.41
TX	16	364	\$712,959,374	71.90
TX	7	181	\$678,934,748	26.15

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By The Numbers: Jeopardizing the National Benefits of Trade Through America's Busiest Port Complex (2019)
 Download the study at portoflosangeles.org/tariffshurt
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