WATERBORNE TRADE OF CALIFORNIA PORTS

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CONTENTS

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INTRODUCTION

THE decline in the importance of waterborne trade has caused increasing concern along the Pacific Coast. This concern is not of recent origin; in fact it dates back to the early 'thirties. In the 1930's, however, the decline in waterborne trade reflected for the most part the general stagnation of world trade arising from world-wide depression plus the stifling effect of trade restrictions. Therefore, the decline in international trade during this period was in large part the result of abnormal conditions. The decline in coastwise and intercoastal trade, however, was a result not only of the depression but also of more permanent factors, particularly the competition of other types of carriers.

During the last war the facilities of our ports were strained to the limit in maintaining the flow of men and materials in support of the Pacific phase of the war. Since the war, the scene has changed from one of large numbers of ships anchored in our harbors awaiting berthing assignments to one of relative inactivity with empty berthing facilities. As in the case of other "war boom" industries, the contrast has made it very difficult to accept peacetime levels of activity. Even the casual observer not directly concerned with the shipping industry has recognized that all has not been going well along our waterfronts, and that an industry which has been of major importance throughout the history of the West is very much in need of overhauling.

Postwar concern over the decline in Pacific Coast shipping has been made more acute by the fact that the peacetime waterborne trade of the United States as a whole has been flowing in record volume. While the nation's waterborne trade has kept step with increasing peacetime production, the Pacific Coast's trade has not. The most commonly offered explanation is that the Atlantic and Gulf Coast ports have been gaining trade at the expense of Pacific Coast ports because of more aggressive trade promotional activities.

Despite frequent expressions of concern over the state of our waterborne commerce, very little has been done in the way of actual analysis of the situation. The competition from other port areas has been stressed and little effort has been made to uncover other possible contributory factors. It is true that a number of excellent studies have been undertaken, either by or for private shipping interests, but these studies have not been widely circulated and their terms of reference have for the most part been limited to particular problems or trade routes.

This article will attempt to overcome this deficiency to some extent. It is concerned only with the ports of California, although many factors which must be considered in a discussion of the waterborne trade of California are also relevant to Pacific Northwest ports. A subsequent article will be devoted to the waterborne trade of the Pacific Northwest ports.

It should be noted at the outset that this study will be concerned only with waterborne trade. Exports of California products by land carrier for ultimate shipment abroad through other customs districts are not included in California's trade. Similarly, imports of foreign goods into California through other customs districts are not included.[1] Although such shipments admittedly affect California's economic activity, the statistics concerning them are quite incomplete. Such omissions, however, are not a serious limitation on the present study which is concerned with the total trade of California ports rather than with foreign trade as such. Furthermore, the major part of California's foreign trade is waterborne.

Waterborne trade of California ports may be divided into three principal classifications: foreign, domestic, and intransit. These types of trade will be considered in that order.

Although total United States foreign trade has increased substantially in the postwar period, the share of this trade handled through California ports has declined. Several factors have contributed to this relative decline. They are of two types: first, the general factors in the world economy which have had broad effects on the foreign trade of the United States but have had particularly strong effects on the trade of California ports; and second, special factors which relate primarily to internal problems of these ports.

Many of these same factors also affect intransit and domestic waterborne trade. There are, however, additional problems which will be considered in discussing these other types of trade.

Following this more general analysis are sections containing specific data on the trade of California's two major customs districts—Los Angeles and San Francisco.

FOREIGN TRADE

Growing Importance of U. S. Foreign Trade

The United States is much less dependent upon foreign trade than are most other industrialized countries of the world. Although foreign trade constitutes a relatively small fraction of total economic activity of the United States, such a comparison obscures the fact that particular industries are dependent upon export markets. Perhaps even more important is the fact that a very large part of our total production would be impossible without foreign sources of critical materials. Furthermore, as our economy grows we can expect the volume of foreign trade to grow, particularly as it becomes necessary for us to supplement on an increasing scale our domestic supplies

[1] Statistics of California's waterborne foreign trade cited in this article include all commercial vessel shipments laden or unladen at California ports. Waterborne exports, in addition to including products originating in California, also include goods transshipped to California from other sections of the country for shipment abroad, and waterborne imports include goods destined for other parts of the nation in addition to goods which will remain in California.

of vital raw materials. This trend has been clearly evident in the postwar period in the case of such commodities as petroleum, copper, iron ore, and wood pulp.

The rapid expansion of the value of our peacetime production since before the war is illustrated by the fact that our gross national product was over three times as large in 1950 as in 1938, increasing from $85 billion to $280 billion. The increase in value of our foreign trade, however, has been even greater. The value of total foreign trade was almost four times as large as in 1938, amounting to $19 billion in 1950 compared with $5 billion in 1938. Imports rose from $2 billion in 1938 to an all-time high of nearly $9 billion in 1950. Exports, despite a decrease from the peak postwar year of 1947, amounted to more than $10 billion, over three times the 1938 figure of $3 billion.

While the increase in the value of our foreign trade is to a large extent the result of price increases[1], substantial gains also occurred in terms of volume or actual weight. Total trade by volume in 1950 was 70 percent above 1938; imports increased 175 percent and exports 8 percent.

The declining share of California ports in United States foreign trade

Pacific Coast ports have a time and distance advantage over other United States ports with respect to the trading nations of the Pacific, and in particular the Far East which has always accounted for an important part of total United States trade. Therefore, to the extent that trade with the Far East follows the trend of total trade, California ports should be able to obtain at least a fair share of any increase in total United States trade. However, this has not been the case. United States trade with the Far East has not closely followed the trend of total United States foreign trade nor has the total trade of California ports kept pace with the increasing national total.

The deterioration of California's foreign trade position relative to the national trend has reflected a slower rate of increase in the value of trade and an absolute drop in the tonnage handled. While the value of total United States trade increased fourfold from 1938 to 1950, the value of the foreign trade of the San Francisco customs district increased only threefold and that of the Los Angeles district only twofold. In terms of actual tonnage the picture is even less favorable. Though total United States tonnage in 1950 was 70 percent above 1938, tonnage handled by California ports declined 37 percent from the 1938 level. California's export tonnage was 50 percent below the prewar level, compared with the national increase of 8 percent, and the 68 percent increase in California's import tonnage fell far short of the 175 percent rise in the country as a whole.

In terms of shipping weight, California's waterborne foreign exports decreased from 17.4 percent of total United States foreign trade in 1938 to 9.0 percent in 1950, while at the same time imports declined from 3.8 percent to 2.4 percent. In terms of value, California's share of total United States exports decreased from 9.3 percent in 1938 to 5.1 percent in 1950, and her share of imports from 5.4 percent to 3.0 percent.

Foreign aid and military shipments

Before examining the causes of the decrease in California's share in the nation's foreign trade, reference should be made to one qualifying factor: the statistics cited thus far have not included certain foreign aid shipments and military shipments. For the most part this study will be concerned with commercial waterborne foreign trade, including shipments under our Government's foreign aid programs that were made on commercial vessels. However, for those who are concerned with the total amount of California port activity regardless of its type, some reference must be made to these other types of shipments.

Foreign aid shipments that have been made on United States Department of Defense controlled ships have not been included in this analysis.[1] Value figures for these shipments are not available, but on a tonnage basis they constituted 12 to 14 percent of California's total exports in 1948 and 1949 and only 8 percent in 1950. Consequently, even if these shipments were added to regular commercial exports, this would offset only a small part of the postwar decline in California's export tonnage. It should be noted, however, that foreign aid shipments on Government-controlled ships have been much more important to the San Francisco customs district than elsewhere in California; 87 percent of such California shipments in 1950 were handled by this district and constituted 11 percent of its total exports.

Because of the unavailability of data very little can be said about military shipments from California ports.[2] Again, San Francisco Bay ports are the center for military shipments to the Far East. During World War II, important military shipping facilities were built or expanded in the Bay Area, particularly the Oakland Naval Supply Depot, Oakland Army Base, and Fort Mason in San Francisco. These facilities were pressed into increasing use during 1950 as a result of the outbreak of armed conflict in Korea and undoubtedly have had an important effect in increasing port activity in the area. Not only was employment provided in the ports themselves but, in addition, according to reports of the Military Sea Transport Service, 81 percent of the military cargo shipped from the San Francisco area in the third quarter of 1950 was carried in commercial vessels under charter.

[1] Similarly, increases in the value of gross national product also reflect price increases. If changes in the value of output are expressed in terms of 1939 dollars, gross national product increased 68 percent, from $91.3 billion in 1939 to $153.0 billion in 1950.

[1] In this context, the term "foreign aid shipments" includes only export shipments under special foreign aid programs (such as Government and Relief in Occupied Areas and the Economic Cooperation Administration) carried on vessels controlled by the United States Department of Defense (either U. S. Government vessels or vessels under charter to the Department of Defense). Any cargo under foreign aid programs not under the control of the Department of Defense is included in regular shipping statistics.

[2] In this context, the term "military shipments" includes all shipments on board United States Department of Defense controlled ships for use of our Armed Forces abroad and should not be confused with foreign aid shipments on such vessels which are for the use of civilians in the recipient countries.

WATERBORNE FOREIGN TRADE OF THE CALIFORNIA CUSTOMS DISTRICTS
1938-39 AND 1947-50

	Value in millions of dollars						Shipping weight in thousands of short tons					
Exports:	1938	1939	1947	1948	1949	1950	1938	1939	1947	1948	1949	1950
San Diego	....	....	0.5	0.3	0.2	0.3	.....	.....	1.0	3.1	1.2	0.9
Los Angeles	147.1	152.4	246.4	183.1	258.8	249.1	7,500.9	6,916.8	3,887.8	3,083.7	3,403.5	3,904.7
San Francisco	134.6	118.8	388.9	262.5	311.5	271.4	3,726.0	3,586.6	2,725.6	2,118.7	1,904.2	1,741.9
Total California	281.7	271.2	635.8	445.9	570.5	520.8	11,226.9	10,503.4	6,614.4	5,205.5	5,308.9	5,647.5
Total U. S.*	3,094.4	3,177.2	11,026.3	8,887.2	8,474.8	7,053.5	62,285.6	61,697.6	124,318.3	88,311.6	71,864.6	62,456.0
Imports:												
San Diego	....	....	1.2	1.3	1.6	1.4	.....	.....	10.3	9.9	13.6	15.0
Los Angeles	44.1	66.7	102.4	131.2	142.7	202.8	639.8	757.8	648.5	770.3	1,117.0	1,253.0
San Francisco	57.9	59.6	193.4	224.5	212.6	304.8	714.1	611.0	707.7	771.7	982.9	1,011.6
Total California	102.0	126.3	297.0	357.0	356.9	509.0	1,353.9	1,368.8	1,366.5	1,551.9	2,113.5	2,279.6
Total U. S.*	1,960.4	2,318.1	4,367.5	5,197.3	4,964.8	6,762.8	36,756.4	41,923.1	59,065.3	67,416.2	77,370.9	95,853.6

*Value figures for the United States for 1938 and 1939 include trade by all types of transportation.
Sources: U. S. Maritime Commission, Report No. 295, *Waterborne Foreign and Domestic Commerce of the United States;* United States Department of Commerce, *Foreign Commerce and Navigation;* Bureau of the Census, Report FT 972, *Waterborne Trade by United States Ports;* Reports of the San Francisco Board of State Harbor Commissioners.

While the omission of data on military shipments is serious with regard to the level of present port activities in California, it should be remembered that in comparing trends in California foreign trade with the national trend, military shipments have also been omitted from the national totals. Furthermore, the inclusion of data on military shipments, were they available, would shed little light on the ability of California ports to conduct commercial trade under peacetime conditions, which, after all, should be the primary long-run consideration.

General Factors Affecting California's Foreign Trade

The postwar decline in California's share of the nation's foreign trade has been due in part to certain broad changes in the flow of world trade. These changes represent what might be called general factors affecting California's foreign trade; for the most part they are beyond the control of Californians. Part of the decline has also been due to certain factors which are in a sense peculiar to California ports and over which the ports themselves have at least some control. These special factors will be discussed in a subsequent section.

The emphasis on European recovery

The decline in California's share of United States foreign trade may be partly explained by changes in the character of postwar foreign trade. After the war, the majority of the countries of the world were concerned with reconstruction and the re-establishment of political and economic stability. Various United States programs for aid to Europe and Asia have helped to maintain trade at higher levels than would have been possible in their absence. Owing directly and indirectly to the war, production in most parts of the world, particularly in Europe and the Far East, was at a very low level. Not only was production insufficient to produce the necessary exports to finance needed imports, and at the same time satisfy minimum domestic demands, but also additional large imports for reconstruction were necessary. The only country capable of supplying these needed imports during the postwar period was the United States. However, foreign countries had no way of earning the necessary dollars to pay for these imports. The large-scale grants of dollars by our Government made it possible for these countries to obtain needed imports and were thus in large part responsible for the early recovery of world trade after the war.

The major share of United States attention, however, was directed toward the rehabilitation of the European economy. This industrial continent is an important trading partner, having accounted for more than one-third of our total foreign trade before the war. In view of its political importance as an outpost against communism, and its economic importance, it is not surprising that our largest single foreign assistance program, under the Economic Cooperation Administration, was directed primarily towards the countries of western Europe.

California's trade with Europe

This emphasis on European recovery was disadvantageous to California ports, since Atlantic and Gulf Coast ports naturally handle most of the United States trade with Europe. In contrast to the increase in United States —European trade, bolstered by ECA, California's trade with Europe has dropped sharply.[1] The nature of Europe's problems after the war and the nature of the ECA program—providing for capital and consumer goods of a necessary nature—reduced European demand for California exports, which in the past have been semi-luxuries or commodities for which alternative sources were available. The large shipments before the war of barley and dried fruit from California to the United Kingdom have been drastically reduced because of the dollar shortage, and only small amounts of some dried fruits have continued to go to Europe under the ECA program. Furthermore, since imports ordinarily enter through ports in which export cargo is available, California's loss of waterborne exports to Europe has been accompanied by a decline in waterborne imports from Europe.

[1] For example, exports to the United Kingdom from the San Francisco customs district fell from 481 thousand short tons in 1938 to 71 thousand in 1949, and to continental Europe, from 251 thousand to 123 thousand.

Recovery in Europe and a closer approach to conditions of balanced trade with the rest of the world seem to indicate that the future holds favorable prospects for a further expansion of United States—European trade. Present unsettled international conditions, however, indicate that development of normal commercial trade may be postponed. The future of United States—European trade, in other words, depends upon the nature of shipments under the Mutual Defense Assistance Program and international developments. In the event that there is an improvement in the international situation and normal commercial trade is permitted to expand, California may well benefit. Under these conditions, the commodity composition of United States—European trade will undoubtedly differ from the emergency trade which has so far characterized the postwar period, possibly to the advantage of California's ports.

Importance of the Far East in California trade

One of the important underlying causes of the failure of California's foreign trade to expand proportionately with that of the country as a whole during the postwar period is the dominant importance of Far Eastern trade to California ports. From 40 to 50 percent of the total trade (by volume and by value) of the San Francisco and Los Angeles customs districts has been with that area in both the prewar and postwar years.[1]

The fact that economic reconstruction and development in the Far East have been hampered by a complex of obstacles unequalled in any other trading area of the world has resulted, quite naturally, in a lower volume of trade for California ports. The postwar export shipping weight of California trade with that area has remained below prewar levels and only recently has the import volume equalled the prewar totals. An expansion of California's foreign trade depends in large part upon an improvement in economic and political conditions in the Far East.

Obstacles to the recovery of trade with the Far East

The many obstacles which have blocked the revival of trade with the Far East are well known and will be considered only briefly. Uppermost have been political factors. Since the end of World War II, political unrest in the Far East has resulted in actual armed conflict in China, Burma, Indo-China, Indonesia, Korea, Malaya, and the Philippines. Even in areas where armed conflict has not actually occurred there has been the constant threat of communist domination or infiltration which has been nurtured by economic and social unrest. Many former dependent areas have received their independence and have had to contend with the many problems incident to political and economic reorganization. These problems have been complicated by a scarcity of skilled technical and administrative personnel and a shortage of capital for reconstruction and development. These countries include India, Pakistan, Burma, Indonesia, and the Philippines.

Aside from the essentially political factors, the future of trade with the Far East depends on internal economic conditions in those countries. Greater diversification and rationalization are necessary in order to increase productive capacity and thus increase the ability of the Far East to import and export. Unfortunately, however, the process of economic growth in underdeveloped areas often brings with it governmental policies which may act as a deterrent to the flow of trade. Import restrictions may be applied to encourage and protect infant industries. Exchange controls may be intensified to prevent increases in income arising out of capital investment from resulting in increases in non-essential imports which might endanger gold and foreign exchange reserves. In the long run, programs of development should result in an expansion of California—Far Eastern trade, but in the interim some reduction might take place, unless, of course, such programs are undertaken with the aid of dollar loans or grants. To the extent that these programs are undertaken with aid from non-dollar sources, as for example the use of sterling under the Colombo Plan, little immediate benefit will be derived by California ports.

One final problem should be mentioned, a problem as old as the recorded history of Asia itself, namely, the population problem. The pressure of population upon the means of subsistence in Asia, always a major problem, has been accentuated in the postwar period by the difficulties of conducting normal trade and the failure of agriculture in many areas to recover to prewar levels. Former food-surplus countries have become food-importing countries and have thus increased the number of Asian countries which must utilize valuable exchange for food and are thus unable to import the commodities and capital goods which are needed not only to restore agricultural production but also for other reconstruction and development.

The future of trade with the Far East

California—Far Eastern trade, already stimulated by the war in Korea and the defense mobilization program, should continue to expand in the immediate future. In the longer run, however, should armed conflict in the Orient be prolonged or should the conflict, which is now localized in Korea and Indo-China, spread to other countries, a reduction in the flow of trade would undoubtedly result. Furthermore, if the conflict should spread, or for that matter continue at its present level, the resumption of normal commercial trade will be further postponed and the basic economic problems of the trading countries of the Far East will be intensified.

[1] Since this discussion is concerned with waterborne foreign commerce, it will be concerned primarily with the customs districts of Los Angeles and San Francisco. The third California customs district, San Diego, does not have sufficient waterborne foreign commerce to influence the totals; most of her foreign trade is border trade with Mexico by land carriers. The San Francisco customs district includes the ports of San Francisco, Oakland, Stockton, Sacramento, Richmond, Alameda, Redwood City, Eureka, Monterey, and other smaller ports along the shores of San Francisco Bay. The Los Angeles customs district includes the ports of Los Angeles, Long Beach, Hueneme, Port San Luis, and other smaller ports in Southern California.

At present, however, the high level of United States demand for strategic raw materials, such as rubber, tin, vegetable fibers, wool, and ferro-alloys, which are produced primarily in Southeast Asia and Oceania, can be expected to continue. California ports should be able to obtain a significant share of these imports. In addition, United Nations military operations in Korea have not only increased the flow of cargoes from the United States to the Far East, but they have also increased the demand for services and commodities within certain of the Far Eastern countries, notably Japan. The resulting increase in employment and the increase in foreign exchange available should be favorable to an increase in California—Far East trade.

From a long-run point of view, programs for assistance to underdeveloped countries should contribute to a growth of Far East trade. The United States Point IV program, the various United Nations programs, and the British Commonwealth Colombo Plan for Southeast Asia are all designed to improve standards of living, increase national income, and thus increase the volume of international trade. Trade would be increased by the flow of capital goods to these countries; such goods in turn would increase productivity and promote diversification, thus enhancing their ability to export and import. In view of present international conditions, however, these programs may be seriously modified. To a certain extent offsetting considerations will govern the amount of assistance going to underdeveloped countries. On the one hand, rearmament programs in the United States and other Atlantic Pact countries make it highly desirable to increase the supply of strategic materials, and economic assistance is necessary if production of these materials is to be increased. Assistance to Far Eastern countries is moreover a defense against further Communist infiltration and aggression. On the other hand, however, increased demands on the United States budget for the defense program and for the Mutual Defense Assistance Program necessitate relatively small allocations for the development of underdeveloped areas.

Postwar trade with Latin America

During the postwar period the other countries of the Western Hemisphere, Canada to the north and the Latin American countries to the south, have become the most important trading area for the United States.

In value terms, 57 percent of total United States imports came from the other countries of the Western Hemisphere in 1950, while 47 percent of our exports went to this area. Latin America provided the most important part of our trade within our own hemisphere, and in 1950 supplied 35 percent of our imports and took 27 percent of our exports.

From 1938 to 1949, Latin America's share of total United States foreign trade increased from 15 to 27 percent by value. For the same years Latin America's share of California's trade, while relatively less important than for the country as a whole, expanded from approximately 10 percent to 20 percent. The proximity of the United States to Latin America, plus the complementary nature of production in the two areas, make them natural trading partners. Nevertheless, ties with Europe, particularly in the South American countries, have placed European producers in the position of strong competitors with United States producers in Latin American markets. The customary import surplus of the United States in its trade with Latin America was temporarily reversed during the early postwar years but was restored by the end of 1949, making Latin America an excellent source of dollar exchange for other countries.

In 1949, about 52 percent of Latin America's imports were from the United States, while 43 percent of that area's exports were destined for the United States. In addition to taking a large share of United States semimanufactured and manufactured goods, the countries south of the border contributed a large share of five of the seven leading United States imports in 1950:[1] 96 percent of the coffee, 87 percent of the cane sugar, 60 percent of the petroleum products, 44 percent of the unmanufactured wool, and 29 percent of the nonferrous ores and metals.[2]

Prospects for United States—Latin American trade are encouraging, and California ports should be able to benefit from any increase in such trade, especially with the west coast of South and Central America where California ports have the advantages of time and distance and no Panama Canal tolls. Although import prices have been rising fairly steadily, especially since the Korean war, imports from Latin America should continue in large volume because of the United States defense program and the dependence of many of our industries on Latin American sources of supply. Exports to Latin America should also increase because of the increased supply of dollars and large-scale programs of economic development in that area. Certain restrictions, however, on the availability of essential goods in the United States, which are needed not only for our defense program but also to fulfill our commitments to European countries under the Mutual Defense Assistance Program, may hinder our trade with Latin America. Nevertheless, it would appear that efforts to expand the foreign trade traffic of California ports should place a major emphasis on development of trade with the Latin American countries.

Trade with Canada

Canada, accounting for 20 percent of the total value of United States foreign trade in 1950, is the nation's most important trading partner. The value of trade with Canada was five times the 1938 level by 1949 and increased an additional 15 percent in 1950. A similar although somewhat more moderate trend has been shown by California's waterborne trade with Canada, increasing fourfold from $14 million in 1938 to $57 million in 1949. For the year 1949 Canadian trade comprised 6 percent of the total foreign trade of California in terms of value.

[1] The only exceptions are paper products, third most important United States import, and crude rubber, fifth in importance.
[2] Includes ores and concentrates and semi-manufactured metals.

Shortly after the war ended, Canada imposed restrictions on trade with the United States because of the dollar shortage, but satisfactory improvement in Canada's reserve position by 1950 led to the relaxation of many of these controls. This should be favorably reflected in California's future trade with that country. California trade with Canada since the war has consisted primarily of imports of newsprint and exports of petroleum products. Increased trade in these commodities has made Canada one of California's larger foreign markets, especially in terms of shipping weight.

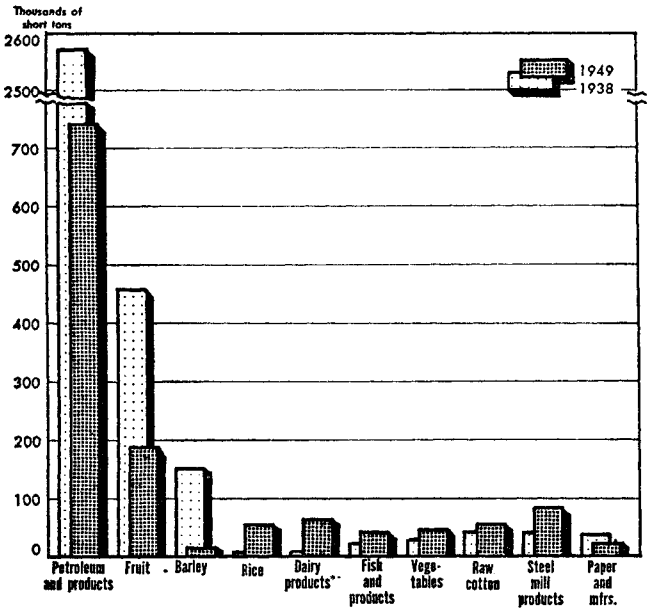
Special Factors Affecting California's Foreign Trade

In addition to the various factors enumerated above, which affect both United States and California trade, certain problems apply more specifically to California ports. Some of the most important are: shifts in the commodity composition of trade, the state of labor-management relations, a disadvantageous rate structure, the absence of adequate port promotion programs, and the lack of modern facilities.

Shifting commodity composition of California's trade

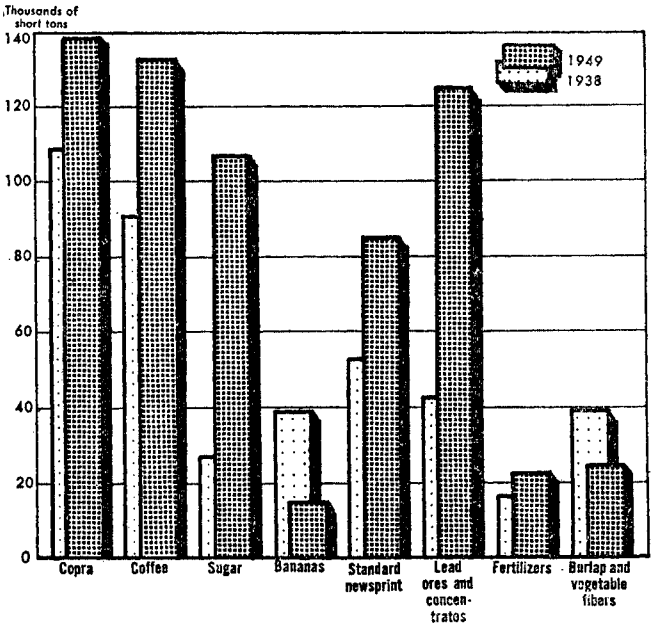
California's economic growth in recent years has been marked by growing diversification. Although agriculture continues to be significant, manufacturing has gradually assumed greater importance. In 1947, California ranked second in the nation in the number of manufacturing establishments and seventh in value added by manufacture. From 1939 to 1947, the number of manufacturing establishments increased 53 percent, and value added by manufacture, 256 percent. These figures are less startling when compared to similar developments in the United States as a whole. Even so, they indicate a definite trend.

SELECTED EXPORTS THROUGH THE SAN FRANCISCO CUSTOMS DISTRICT, 1938 and 1949



*Including eggs.
Source: Reports of the San Francisco Board of State Harbor Commissioners.

SELECTED IMPORTS THROUGH THE SAN FRANCISCO CUSTOMS DISTRICT, 1938 and 1949



Source: Reports of the San Francisco Board of State Harbor Commissioners.

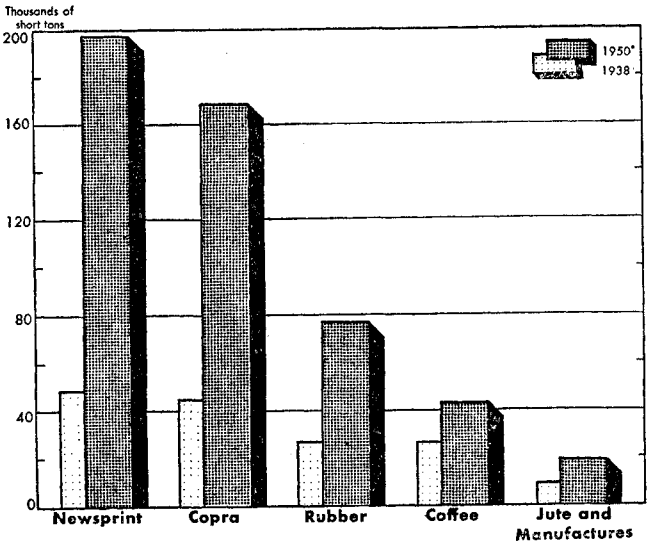
This trend towards increasing diversification may affect the composition of California's future foreign trade to some extent. In contrast to the previous emphasis on agricultural products and raw materials, sales to foreign markets may include a larger proportion of manufactured goods. Some evidence of the increasing importance of processed and manufactured goods in California's export trade is provided by the statistics on increases in exports of chemicals[1], machinery and vehicles, and iron and steel mill products through the Los Angeles and San Francisco customs districts. In addition, the increased demand since the war for agricultural foodstuffs may be expected to decline when economic stability abroad has been restored and agricultural production revived.[2]

Increased diversification and the rapid growth of California's own economy may for a time have an adverse effect on the volume of foreign exports. An exceedingly rapid growth in population—a gain of 53 percent since 1940—has made California the second most populous state in the nation. This, accompanied by a 125 percent

[1] California leads in chemical trade on the West Coast, accounting for 88 percent of Pacific Coast chemical exports in 1938 and in January-June 1949, and 81 percent of imports in 1938 and 49 percent in January-June 1949. Industrial chemicals and chemical specialties are the principal categories in Pacific Coast chemical trade, with soda ash exports comprising 40 percent and caustic soda exports 13 percent of total United States exports of these products in 1948. California is also the world's largest producer of borax; 71 percent of United States borate exports in 1948 was shipped from the Pacific Coast. In addition, 76 percent of United States exports of boric acid was shipped from the Pacific Coast in 1948, 63 percent of it from Los Angeles. United States Department of Commerce, *Foreign Commerce Weekly*, October 31, 1949.

[2] Agricultural products exported in large volume since the war include grains and other staple foodstuffs, and dairy products, such as cheese, canned milk, and dried milk. Fruit exports, however, may be expected to increase when the international economic situation improves.

SELECTED IMPORTS THROUGH THE LOS ANGELES CUSTOMS DISTRICT, 1938 and 1950



*Fiscal year 1950.
Sources: 1938 statistics, United States Department of Commerce, *Foreign Commerce and Navigation, 1938;* 1950 statistics, mimeographed reports of United States Department of Commerce, Los Angeles Regional Office, *Trade in Specified Commodities Through the Los Angeles Customs District.*

increase in per capita income and a 244 percent increase in retail sales, has expanded the local market for California processors and manufacturers. Under these circumstances, the assurance of a dependable and expanding market at home may limit the supply of goods available for export and diminish incentives to produce for export. Thus more attention may be devoted to the domestic market at the expense of the foreign. This effect, however, should be a transitional one with increasing attention being given to foreign markets as the productive capacity of the state increases.

On the import side, the increasing diversification and growth of California's economy should have an immediate as well as a long-run favorable effect. Present imports of such commodities as coffee, rubber, and metal ores, which have encountered favorable prices and larger domestic demand since the war, should continue to expand. Furthermore, as diversification continues, both the amount and the variety of imports should increase.

From the long-run point of view the increasing production of manufactured and semi-manufactured goods in California should increase its complementarity with the primarily raw material producing countries of Asia. While present plans for economic development in the countries of the Far East anticipate increasing consumption of raw materials at home, they also include plans for increasing production of these materials through more efficient methods of production and thus should provide a continuing supply for export. Furthermore, as programs of development are carried forward, trade with the Far East should include larger amounts of manufactured and semi-manufactured goods moving in both directions. The actual pattern which eventually evolves will reflect the comparative advantages of the various trading countries.

Influence of the labor-management situation

Labor-management relations on the Pacific Coast have long been a vulnerable point in the Pacific Coast foreign trade picture. Conflict between labor and management, which until recently was cause for serious concern, began in 1934 with an 84-day waterfront strike, which was marked by bitterness and marred by an abortive general strike in San Francisco. The principal issue in 1934, and again in the 100-day strike in 1936-37, was the establishment of union hiring halls. However, by the beginning of World War II, the union hiring hall idea was generally accepted, and wages and working conditions were virtually uniform on both East and West Coasts.

But Pacific Coast ports after the war were again plagued by a series of crippling strikes. The decline in job opportunities, loss of wartime bonuses, and the increased cost of living led to demands for greater union security through union hiring halls and higher wages, and culminated in work stoppages of 73 days in 1946 and 95 days in 1948. The 1948 strike was further complicated by certain provisions of the Labor Management Relations Act of 1947, which placed the legality of union hiring halls in doubt and required non-Communist affidavits of union officials.

Although the immediate postwar period was marked by a number of strikes, the general atmosphere has been less bitter than in earlier years, and there have been evidences of a desire on the part of unions and employers to cooperate. The Pacific Coast had no shipping tie-up in 1949 and 1950. Renegotiations of contracts in those years were concluded without work stoppages, and employers and labor alike pledged their support to a program of peace on the waterfront. A maritime strike in June 1951, however, resulting from the negotiations for new contracts, again tied up shipping on the Pacific, Atlantic, and Gulf coasts.

The absence of strikes, real or threatened, and the expressed desire of both unions and employers to promote port activity would augur well for the growth of shipping through Pacific Coast ports. Peaceful labor-management relations would redound particularly to the advantage of San Francisco where attention has been focused during labor disputes, since it is the headquarters for many of the unions and the employer organizations on the Pacific Coast. The consistent maintenance of peace on the waterfront is necessary to restore the confidence of shippers in the stability of port service.

California's rate structure as a factor in the decline of foreign trade

It is rather commonly held that one of the contributory causes of the decline in California's share of the nation's foreign trade is an unfavorable freight rate structure compared to rates prevailing for ports on the Atlantic and Gulf coasts. Analysis of this problem is exceedingly difficult because of the complexity of the structure of rates. Total rates on foreign shipments are a composite of charges of rail and water carriers and various handling

and wharfage charges. Each of these charges presents its own problems. Only a brief consideration of these problems is possible here, and it will be limited to freight rates for shipments from California ports[1] to the Far East, which, as pointed out earlier, is by far the most important destination for shipments through California ports.

It costs more, generally, to ship goods by rail from midwestern United States to Pacific Coast ports than to the Atlantic or Gulf Coast ports. However, the rail rates on export shipments to the Far East through Pacific Coast ports are lower relative to the distances involved than are the rates to Atlantic or Gulf ports. Because of the "through bill of lading" arrangement, the transcontinental export rail rates to Pacific Coast ports are considerably lower than the domestic rates on the same traffic. There are no similar through bill arrangements for shipments from interior points to the Far East via Atlantic and Gulf ports. This system of preferential rates has advantages for producers in the interior of the country and in some instances it tends to favor Pacific Coast ports. It has been argued, however, that it discriminates against local producers in the Pacific Coast area who must pay the higher domestic rail rates on their shipments destined for export.

As would be expected, ocean freight rates from the Pacific Coast to the Far East are generally lower than rates for the same commodities moving from other coastal areas. A recent comparison of local ocean rates from various coastal areas to the Far East[2] revealed that the Pacific Coast rate on 83 percent of the items surveyed was lower than the rate from Atlantic ports, on 13 percent of the items the rate was the same, while on only 4 percent was the Pacific Coast rate higher. However, handling and wharfage charges are billed separately against the shipper on the Pacific Coast but not on the Atlantic Coast; therefore these charges should be added to Pacific Coast rates. When this amount is added, it is found that about 25 percent of the items surveyed have higher total charges from Pacific ports than if shipped out of Atlantic ports. At least to this extent it would appear that the rate structure on the Pacific Coast is unfavorable.

Though ocean rates are lower for most items shipped to the Far East from Pacific Coast ports than from Atlantic and Gulf ports, it is often said that they should be lower than they actually are and that they are not proportional to the ocean distances involved. Virtually all ocean rates are determined by the "conference system." The system works as follows. Each major trade route of the United States to and from foreign countries is served by a separate conference. All ship operators engaged in a particular trade route are eligible for membership in the conference serving that route. Only a small part of today's trade is carried on by non-conference operators. Ocean rates on all commodities shipped on a given route are determined by vote of the membership of that conference. The system was set up to prevent damaging rate wars which tended to leave shipping concentrated in the hands of a few large operators, and by the same token to give all operators an equal voice in the determination of rates. The conference system was given legal status by Congress in the Shipping Purchase Act of 1916 and ship operators acting through their conferences have been exempted from the anti-trust laws of the United States.

While the conference system has many obvious merits, Pacific Coast shippers state that it has worked to their disadvantage. Operators who engage solely or primarily in Pacific Coast—Far East trade form a minority of the members of the various trans-Pacific conferences. The majority of the members consists of ship operators who serve Atlantic and Gulf ports as well. Thus those who are interested primarily in advantageous rates for the Pacific Coast are inevitably outvoted.

A case in point is the recent increase in the conference rates on cargo inbound from Japan.[1] In February 1951, the Japan Atlantic Coast Conference increased freight rates by 15 percent. Subsequently the Trans-Pacific Freight Conference of Japan, which serves Pacific Coast and Japanese ports, announced an increase not of 15 percent but of the same dollar amount as the Atlantic Conference increase. This resulted in rate increases of as much as 26 percent on cargo covered by the Trans-Pacific Conference. Operators engaged solely in Pacific Coast—Far Eastern trade have protested against this increase, pointing out that they were outvoted by members of their conference who are also members of the Japan Atlantic Coast Conference.

Another factor which may be detrimental to Pacific Coast foreign traffic is the miscellaneous handling and wharfage charges which are added at Pacific Coast ports. In Atlantic Coast ports these costs are absorbed in the freight charges; in Gulf ports, while there are no unabsorbed handling charges, there are certain terminal charges on some shipments moving through New Orleans and Houston. The adverse effect of these additional charges on the Pacific Coast results not so much from the actual cost involved but more from their nuisance character. The shipper is billed separately for these charges and this necessitates checking a second freight bill, in some cases long after the shipment has been made. There is also a general lack of uniformity in the manner in which these charges are made. The charges are often on a "cost-plus" basis, another unique practice on the Pacific Coast, and thus there is no basis for predetermining the exact shipping costs.

Port promotion as a means of increasing California's foreign trade

The absence of an adequate and aggressive port promotion program has been cited by some as responsible for part of the loss in trade suffered by California ports. Port authorities and chambers of commerce of the California

[1] While this study is primarily concerned with California ports, the present section will also be applicable to all Pacific Coast ports since they have similar rate schedules in effect.

[2] Stanford Research Institute, *An Economic Analysis of Pacific Coast Trans-Pacific Shipping*. (Prepared for the Western Transportation Conference) April 15, 1950.

[1] For a discussion of this increase, see *The Journal of Commerce*, April 3, 1951.

customs districts engage in various promotional programs, but, in general, their efforts have not been coordinated. As a result, they have not been able to present a united front to the active competition of East and Gulf Coast ports.[1]

Adequate representation before important regulatory and legislative bodies, a centralized information and publicity agency, advertising through various media, maintenance of rate bureaus, traffic solicitation, and representatives in key areas at home and abroad are among the more important devices used by various ports in other parts of the United States. Major ports, such as New Orleans and New York, have successfully utilized these methods to varying degrees. California ports have not adopted any such fully-developed program.

New Orleans has the most extensive and well-organized port promotion program, with its Port Board of Commissioners maintaining representatives in St. Louis, Chicago, New York, and Washington, and spending approximately $125,000 annually for port promotion. The International House in New Orleans, operating on an annual budget of $250,000, about 10 percent of which is utilized for direct publicity purposes, acts as a clearing house of information for the whole region served by the port and fosters contacts between small business and officials of foreign countries. The International Trade Mart, like International House built by public subscription, provides a trading and display center with offices and facilities for foreign merchandise, while the New Orleans Chamber of Commerce devotes most of its port promotion activity to solicitation of traffic for the whole Gulf Coast area. In addition, a rate information bureau is maintained by the New Orleans Traffic and Transportation Bureau.

Some progress in the direction of establishing a similar program in San Francisco was made by the California State legislature in 1947 when it created the World Trade Center Authority to supervise the construction and operation of a World Trade Center for San Francisco. This Center will be similar to the International House of New Orleans, providing a means of promoting port activity for San Francisco and the whole Pacific Coast through concentration of interested groups, such as consulates, foreign commercial representatives, brokers, exporters and importers, and chambers of commerce, in one area. In 1949 preliminary survey work was undertaken on the authorization of the State Legislature. At present the Authority is in the process of obtaining bids for the initial construction work. It is planned to finance the construction of the Center by the issuance of bonds by the Authority. After its completion, the San Francisco State Harbor Board will exercise control over the Center.

Development of more effective programs of publicity and promotion, similar to those in effect at New Orleans and New York,[1] would help California ports in their bid for a larger volume of trade. At the same time, particular emphasis should be placed on cooperative effort by all Pacific Coast ports for their mutual benefit.

Lack of modern facilities and high freight handling costs

Closely allied to port promotion activities is the maintenance of modern port facilities to handle rapidly and efficiently all types of cargo. In this respect, many of California's port facilities are outmoded and in need of repair. With the exception of the newly-completed Mission Rock Terminal, the Port of San Francisco, for example, lacks modern facilities for handling cargo by truck. On the other hand, the port facilities of Long Beach are outstanding as a result of recent extensive renovations and modernization, providing the port with some of the most modern berthing arrangements and excellent facilities for handling cargo by truck.

Port and terminal facilities, moreover, have an important bearing on the cost of handling freight. The high cost of handling freight in California ports from ship to shore (and vice versa) has been widely criticized. In addition to modernization of facilities to speed up the movement of goods by all types of carriers, freight handling costs can be reduced by greater efficiency, increased mechanization of operations wherever possible, reduction of the number of operations in the movement of cargo, and coordination of the operations of all groups concerned.

OTHER TYPES OF WATERBORNE COMMERCE

Domestic waterborne trade

Using the tonnage of cargo handled as a measure of port activity, domestic waterborne trade has been more important than foreign trade. Both before and after the war it has accounted for more than 80 percent of the total tonnage of the waterborne trade of San Francisco Bay and more than 70 percent in the Los Angeles-Long Beach area. Domestic waterborne trade consists of coastwise trade between Pacific Coast ports, intercoastal trade with the Atlantic and Gulf coasts, and non-contiguous trade with United States possessions and territories.

The tonnage of domestic cargo handled by California ports has increased less than 10 percent since before the war—from 43 million short tons in 1938 to 47 million in 1949. However, in spite of this over-all increase, there have been important declines in certain types of domestic trade. Most important of these is general cargo moving in both coastwise and intercoastal trades. These tonnage declines have been offset by larger bulk petroleum shipments in domestic trade and a larger volume of non-contiguous trade. In addition, certain ports have suffered

[1] After extensive committee hearings in 1950, the California State legislature passed a bill, signed by the Governor in June 1951, which creates an Interim Commission to undertake preliminary work towards establishing a voluntary port authority for the San Francisco Bay Area.

[1] Port promotion activities at the Port of New York Authority are estimated to total $225,000 annually. The Authority maintains offices in Chicago, Cleveland, and Washington to protect their interests. In addition, a Port Protection Program has been established to maintain a continuous study of rate differentials between the Port of New York and other United States ports, and operates on an annual budget of $200,000.

serious losses of domestic trade. For example, San Francisco, which is primarily a general cargo port, has lost much port revenue because of decreased coastwise and intercoastal shipping. Los Angeles, on the other hand, has registered gains because of increased bulk petroleum shipments moving in both these trades.

Coastwise and intercoastal trade

Coastwise and intercoastal trade of the San Francisco customs district amounted to a little over 16 million short tons in 1947, approximately 10 percent below the 1938 level. The decline for the Port of San Francisco, however, was much larger than for the customs district as a whole. The combined tonnage of intercoastal and coastwise trade passing through San Francisco in 1949 was less than one-fourth the tonnage of 1935. The largest decline between these years was in coastwise trade, which fell from 1.5 million tons to 106 thousand tons. Intercoastal trade fell from 1.6 million tons to 611 thousand tons. The much larger decline in the coastwise and intercoastal trade through the Port of San Francisco than through the rest of the customs district undoubtedly reflects the relatively greater importance of general cargo for San Francisco and of bulk cargoes for other Bay Area ports. General cargo shipments in coastwise and intercoastal trade have declined markedly while bulk cargoes—in particular, petroleum products—have remained at or above the prewar levels.

At the Port of Los Angeles, in contrast, total tonnage of coastwise and intercoastal trade increased from 8.5 million tons for the fiscal year 1938-39 to 15.3 million for 1949-50. However, all of this increase is accounted for by increases in bulk petroleum shipments. All other cargoes decreased to one-half the prewar volume with general cargo and lumber shipments responsible for the decline. Excluding bulk petroleum shipments, coastwise trade fell from 1.7 million tons to 1.0 million from fiscal 1938-39 to fiscal 1949-50, and intercoastal trade decreased from 1.4 million tons to 0.6 million.

Another measure of the trend of coastwise and intercoastal trade is the number of ships engaged in these trades. By 1950 only 11 ships were engaged in coastwise trade through California ports, compared to 147 in 1930. In intercoastal trade the number of ships fell from 150 to 56. Though larger ships are engaged in these trades than before the war, the total tonnage of shipping has declined substantially.

The decline of intercoastal and coastwise trade, other than in bulk petroleum, results from a series of factors operating over an extended period of time, and not from developments since the war. In addition to strikes and frequent interruptions of service, which have had an adverse effect on foreign and domestic trade alike, there are several other factors commonly cited by operators as being primarily responsible for the decline in coastwise and intercoastal shipping. Most frequently mentioned are the low rail rates approved by the Interstate Commerce Commission which, operators contend, have made it competitively impossible to raise water rates sufficiently to meet greatly increased costs of labor, fuel, and supplies. Other factors mentioned are: age of the vessels engaged in these trades and the high capital cost of new vessels; high stevedoring costs which are related in certain instances to improper maintenance of port facilities and the failure to provide modern facilities; and more frequent and quicker service provided by other carriers.[1] For coastwise trade, further problems have been the unbalanced movement of trade (southbound tonnage has always exceeded northbound tonnage), the decline in lumber shipments by water owing to the depletion of timber in the Washington—Columbia River area, and the use of trucks. For intercoastal trade, an additional factor has been the high Panama Canal tolls.[2]

Increasing non-contiguous trade

In contrast to the downward trend in most types of intercoastal and coastwise trade, non-contiguous trade of California ports with United States territories and possessions has increased since the war. The greater part of California's non-contiguous trade consists of trade with Hawaii. Trade with Alaska and Pacific possessions such as Guam, Wake, and American Samoa is relatively unimportant in the totals. Unfortunately, official data on trade by customs districts with the territories of Hawaii and Alaska were discontinued after 1947. However, certain ports within customs districts continue to make limited data available on this trade.

Non-contiguous trade has not only increased, but has also assumed an important position in California's waterborne trade. For example, Hawaii's percentage of the total offshore shipments outbound from the San Francisco customs district increased from 17 percent in 1938 to over 35 percent by 1947 and the tonnage had doubled, amounting to over 1.4 million tons in the latter year. At the same time, inbound shipments from Hawaii in 1947 were 35 percent greater than in 1938, amounting to slightly more than 1 million tons.

Trade of the Port of Los Angeles with Hawaii has shown an even greater increase. Hawaiian trade passing through the Port of Los Angeles doubled between the fiscal years 1938-39 and 1947-48, inbound shipments increasing 97 per cent and outbound shipments 106 percent. Declines in 1948-49 and 1949-50 reflected the long Hawaiian waterfront strike between May 1 and October 23, 1949.

Intransit trade increases in postwar period

Intransit trade[3] through the customs districts of San Francisco and Los Angeles was relatively unimportant

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[1] The more frequent and quicker service of land carriers has enabled businesses to maintain smaller inventories and thus increase the rate of capital turnover and reduce the amount of capital tied up in inventories at any particular time. This has been particularly true in the case of light, high-value commodities for which the higher freight cost has been more than offset by a reduction in the cost of carrying inventories.

[2] Some relief should be provided by the Panama Canal Bill, to become effective July 1, 1951, which provides for reorganization of the canal administration and should result in lower canal tolls. Commercial and Governmental functions will henceforth be separated, so that no extraneous factors will be considered in levying tolls.

[3] Intransit trade covers merchandise coming into the United States from a foreign country and shipped to a foreign country *without having been entered as an import.*

before the war. But since the war it has increased in both volume and value. Total inbound and outbound intransit shipments through the Los Angeles district increased from 95 to 128 million pounds from 1947 to 1950, while San Francisco's tonnage increased from 101 million to 125 million pounds. Although the total value and volume of intransit trade is still relatively insignificant compared to the total trade of California ports, it is expected to become more important.

Contributing greatly to the improvement in intransit trade have been the foreign trade zones established at San Francisco in 1948 and at Los Angeles in 1949. These foreign trade zones are designed to increase the flexibility of foreign trade, increase opportunities for transshipment trade, and eliminate some of the disadvantages of bonded warehouses, where constant supervision and posting of bond increase the time and expense involved in the conduct of trade. In addition, certain types of light manufacturing, processing, packaging, and exhibiting can be carried on within the zones. The San Francisco foreign trade zone handled 16,653 tons of merchandise, valued at $8.5 million, from 47 foreign countries during the first two years of its existence (June 1948-June 1950). In 1950 the zone handled 12,129 tons of merchandise, a 38 percent increase over 1949. The Los Angeles foreign trade zone handled 12,600 tons of cargo valued at $4.2 million during its first fiscal year of operation which ended June 30 of last year.

PORT ADMINISTRATION

Port administrations in the California ports cover practically the whole range of possible types—from the state-owned and operated port of San Francisco, through the municipally-owned ports such as Los Angeles and Long Beach, to joint city-county control such as that in effect at Sacramento.

The administration and organization of the port of San Francisco is similar to that of New York and New Orleans—a port commission appointed by the governor (in the case of New York, by the governors of New York and New Jersey), with confirmation subject to legislative approval[1] and terms of service averaging five or six years. The New York and San Francisco port commissions are both public corporations, relying for financing on issuance of general and refunding bonds and on revenue derived from services rendered, and not on general tax monies.[2] But the port of New Orleans, although a public corporation also, is partly dependent on the proceeds allocated from a general state gasoline tax (9/20 of one percent of the total proceeds is so allocated), which are used to service outstanding bonds issued by the Levee Board and the harbor railroad.

The degree of municipal control over port operations also differentiates the ports of New York and New Orleans from the port of San Francisco. While the city of New York controls 50 percent of the wharf space, and the trade groups in New Orleans have some control over the choice of port commissioners, the city of San Francisco neither owns nor controls any waterfront property nor has it a voice in port administration.

In contrast to the port of San Francisco, the ports of Los Angeles, Long Beach, Oakland, Richmond, Alameda, and Redwood City are all municipally owned, although many of their facilities are privately developed and operated. The port commission is municipally appointed, and actual administration of the port is generally a function of a regular municipal department. In all cases revenue from port services is supplemented by the use of general tax monies. An added feature in the administration of Los Angeles and Long Beach ports is the fact that royalties from city owned petroleum properties are used for port financing. As a result, Long Beach is able to claim the unique status of a debt-free port.[1] However, the reliance on tax revenues does not permit financing of extensive long-term improvements. As a consequence, some cities have expressed the hope that present constitutional limitations on issuance of revenue bonds can be abolished to allow financing of necessary projects for port improvement.

In addition to state and city-controlled ports, Sacramento has created a Sacramento-Yolo Port District to further their goal of an inland port. The port district is run by a board of commissioners—two each appointed by the county of Sacramento and the city of Sacramento, and one appointed by the Yolo County Board of Supervisors.

OUTLOOK

What are the prospects for increasing California's volume of waterborne commerce and her share in United States foreign trade? Satisfactory solution of the problems considered above would contribute greatly to improvement of the situation. At the same time, however, long-term trends in California's waterborne commerce must be taken into account. The Pacific Coast's share of United States foreign trade tonnage—of which California accounts for two-thirds—has declined from an average of 16 percent in 1935-40 to 7 percent in 1947-49. The decline

[1] In New Orleans, the authority of the governor to appoint members of the port board was circumscribed by a 1940 amendment giving several New Orleans trade groups a voice in selection of candidates.

[2] In this respect, New York holds an advantage over San Francisco, since its ownership of assets (bridges, tunnels, and airports) is more varied and permits pooling of revenues and resources to cover all expenses. In addition, the New York Port Authority received state aid from New York and New Jersey from 1920 to 1930, while both New York and San Francisco received Federal aid during the depression years and from the Army Engineers for harbor improvements.

[1] The ownership of California's tidelands, where the petroleum deposits are found, is currently a matter of dispute between the Federal Government and the states, and the outcome will affect the financing of these two ports.

in actual physical volume, however, is not so great since total United States tonnage has increased 50 percent since 1935-40.

Nevertheless, exports from the San Francisco Bay Area are substantially below prewar levels and seem to follow a declining trend, in contrast to a fairly stable level of exports before the war. Imports through the San Francisco customs district, however, have moved upward since the war, although the more rapid increase in total United States imports by volume and value has caused the district's share of United States import trade to decline. San Francisco district trade has followed the national pattern of declining exports and increasing imports since the war.

On the other hand, import and export volume of the Los Angeles-Long Beach area showed upward trends in the interwar period, but export volume has shown no definite trend in the years since the war. The 50 percent decline in export tonnage from 1938 to 1947-50 has been partly cushioned by large petroleum shipments. Import volume since the war has continued to move upward, with sharp increases in 1949 and 1950.

Present indications seem to point to a lower level of exports and a rising level of imports for California in the future. California export volume in the immediate prewar years was bolstered by an unprecedented volume of petroleum shipments, particularly to Asia, which will probably not be matched in the future.[1] At the same time, increasing diversification in California's economy and her rising level of income will, on balance, probably provide for a larger volume of imports, with exports increasing, if at all, at a slower rate. Nevertheless, balanced expansion of both imports and exports is a possibility which would be most beneficial to California ports.

Port activity in California, however, is also dependent upon activity in the intercoastal and coastwise trades. Both these trades show declining trends which cannot be effectively reversed or retarded unless new methods are developed to cut costs of operation and provide effective competition with faster and more frequent types of transportation. Recent innovations designed to reduce costs and result in more competitive rates will probably help to some extent. But if the intercoastal and coastwise trades do not revive, California ports will be placed at a disadvantage in the matter of port improvements and the size of the labor force available on the waterfront.

An active program of port promotion, similar to those practiced by other major ports would also contribute immeasurably to an increase in California's waterborne trade. Promising steps have already been taken toward rationalization of the rate structure, restoration of the confidence of shippers in the stability of labor-management relations on the Pacific Coast, modernization of port facilities to accommodate trucks and other types of carriers, regularity and frequency of service, and reduction of freight handling costs.

At the same time, any study of the prospects for California's foreign trade must consider international developments. The defense mobilization program, the Korean war, and international tension will, at least for the present, prevent a return to normalcy in trading relations. In the long run, the area most vital in the successful recovery of California's foreign trade will be the Far East, which must first solve to its own satisfaction its complicated economic and political problems.

[1] In fact, the United States is now a net importer of petroleum products, although little petroleum is imported through California ports.

APPENDIX A

FOREIGN TRADE OF THE SAN FRANCISCO CUSTOMS DISTRICT

EXPORT TRADE OF THE SAN FRANCISCO CUSTOMS DISTRICT BY TRADE AREA AND PRINCIPAL COUNTRIES, 1938-39 AND 1947-50
(Value, in millions of dollars; volume, in thousands of short tons)

	1938		1939		1947		1948		1949		Jan.-Sept. 1950	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Continental Europe	250.7	15.8	110.1	9.1	296.2	49.0	203.0	39.2	123.1	37.1	142.8	32.5
Scandinavia	55.4	4.2	55.8	5.1	45.1	8.4	5.0	1.0	8.1	1.8	13.8	3.2
United Kingdom and Ireland	480.8	32.0	366.1	28.3	131.7	30.4	4.8	2.8	70.6	13.7	48.5	6.8
Canada	268.4	3.8	351.1	3.9	557.5	7.5	663.7	12.0	410.2	9.9	406.6	8.4
Central America	106.3	2.9	88.2	2.9	117.4	10.4	227.7	8.8	109.4	8.0	28.6	5.0
West Indies and Cuba	216.4	3.9	174.1	4.6	49.0	9.3	73.1	7.5	44.3	8.1	42.3	7.3
South America	28.0	2.8	22.9	2.3	154.1	36.4	70.4	18.7	83.5	23.7	55.1	14.0
Asia (Near and Far East)	1,870.7	51.7	2,143.0	49.4	878.3	195.6	741.4	155.0	927.0	185.7	435.3	110.6
China	68.7	2.0	123.2	2.6	245.3	39.3	153.3	26.6	37.4	8.4	4.7	0.5
Hong Kong	74.2	3.3	62.4	3.5	69.7	20.3	53.4	14.7	76.5	25.3	72.7	17.4
Japan	1,328.8	23.7	1,492.1	19.1	4.7	2.7	36.8	5.1	216.9	21.4	71.5	18.4
Philippine Islands	240.9	15.1	249.7	16.4	325.5	91.5	324.5	77.8	298.2	85.5	126.0	35.8
Oceania	406.6	15.5	225.0	11.0	459.7	34.7	97.8	11.5	88.5	17.0	33.0	7.1
Africa	42.7	2.1	50.5	2.3	36.7	7.3	30.6	6.0	39.4	6.5	16.4	2.5
Total	3,726.0	134.6	3,586.6	118.8	2,725.6	388.9	2,118.7	262.5	1,904.2	311.5	1,222.4	197.4

Source: Reports of the San Francisco Board of State Harbor Commissioners.

The San Francisco customs district[1] is centered around San Francisco Bay, a natural land-protected harbor 48 miles long and a maximum of 13 miles in width. Within the district, San Francisco is the principal general cargo port, while many of the other ports handle special cargoes only, such as petroleum and other bulk cargoes.

From the time of its discovery by Portola in 1775, through the gold rush of 1849, and the inauguration of the profitable China service in 1857, San Francisco Bay has ranked high among the commercial centers of the nation. The recent growth of the Bay Area (a 53 percent increase in population since 1940 and a 254 percent increase in retail trade), coupled with its excellent natural harbor and strategic location along the Pacific Coast, has served to emphasize the economic importance of the area. Although the nine-county Bay Area[2] covers only 4.5 percent of California's land area, it accounts for 25 percent of the state's population, 28 percent of net income, and 27 percent of retail sales. Furthermore, among metropolitan areas of the nation, the Bay Area[1] ranks seventh in population and sixth in retail sales and income.

[1] The San Francisco customs district includes the ports of San Francisco, Oakland, Stockton, Sacramento, Eureka, Monterey, Richmond, Alameda, Redwood City, and other smaller ports along the shores of San Francisco Bay.

[2] The nine-county Bay Area includes the counties of San Francisco, Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano, and Sonoma.

Direction of trade

Asia is the most important market for the exports of the San Francisco customs district, taking from 40 to 50 percent of its exports by volume and value. Asia's share of export value has risen since the war, but her share of export volume has declined, although some improvement in the latter was shown by 1949.

The United Kingdom and Ireland, continental Europe, and Oceania are the other major areas to which exports have been shipped from the San Francisco district. Together with Asia, they have accounted for four-fifths of total export value in both the prewar and postwar periods. Exports to these areas also constituted four-fifths of total export tonnage in 1938-39, dropping to two-

[1] The San Francisco-Oakland metropolitan area.

IMPORT TRADE OF THE SAN FRANCISCO CUSTOMS DISTRICT, BY TRADE AREA AND PRINCIPAL COUNTRIES, 1938-39 AND 1947-50
(Value, in millions of dollars; volume, in thousands of short tons)

	1938		1939		1947		1948		1949		Jan.-Sept. 1950	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Continental Europe	113.5	7.3	78.5	6.0	14.0	4.6	30.3	3.6	29.8	5.3	54.0	7.1
Scandinavia	45.2	1.9	33.5	1.5	9.5	2.0	19.9	3.4	15.7	2.2	9.1	1.2
United Kingdom and Ireland	18.3	3.1	19.4	3.6	19.0	3.2	14.5	3.6	14.1	4.9	14.9	5.2
Canada	28.7	1.4	30.5	1.5	69.4	7.0	46.9	4.4	76.6	8.6	64.6	5.7
Central America	92.9	8.0	83.4	7.9	60.4	21.5	125.5	24.7	79.7	25.3	144.1	40.9
West Indies and Cuba	1.4	0.2	0.6	0.1	0.3	0.2	1.3	0.3	28.3	3.1	3.7	0.5
South America	101.5	9.3	109.7	9.1	193.2	53.4	190.9	54.2	311.0	66.8	136.6	60.0
Asia (Near and Far East)	278.2	25.3	241.5	28.6	314.5	86.6	296.0	106.1	391.7	86.0	264.2	80.9
British Malaya	3.4	1.1	3.5	1.5	2.2	0.8	2.6	2.3	2.3	1.5	5.2	2.8
China	22.4	4.5	22.5	5.4	22.8	18.0	12.9	18.0	9.4	9.3	38.1	18.0
India (and Ceylon)	41.4	4.3	29.8	4.0	28.0	10.8	21.8	10.7	24.9	11.2	18.0	7.4
Netherlands East Indies	14.6	1.5	20.1	1.9	1.2	0.8	4.6	0.9	13.0	1.4	1.3	0.7
Japan	37.4	5.4	25.0	8.3	3.6	4.4	26.9	10.9	46.7	10.3	25.2	11.8
Philippine Islands	153.7	7.7	132.5	6.7	248.9	46.1	209.5	52.2	257.2	40.3	155.2	27.0
Oceania	32.8	1.1	11.5	1.0	26.7	14.7	45.6	23.9	28.3	8.8	17.2	13.8
Africa	1.7	0.3	2.5	0.2	0.2	0.1	0.2	*	5.2	0.9	2.0	0.7
Total	714.1	57.9	611.0	59.6	707.7	193.4	771.7	224.5	982.9	212.6	710.4	216.0

*Less than .05 thousand short tons.
Source: Reports of the San Francisco Board of State Harbor Commissioners.

PERCENTAGE DISTRIBUTION OF EXPORT TRADE OF THE SAN FRANCISCO CUSTOMS DISTRICT
BY COMMODITY GROUP

By value:	1938	1939	1947	1948	1949	Jan.-Sept. 1950
Animal and animal products, edible and inedible	4.9	5.2	9.4	12.0	10.8	11.0
Vegetable food products and beverages	38.4	38.1	27.5	24.2	21.6	24.6
Vegetable products, inedible, except fibers and wood	1.7	2.8	7.7	5.6	5.2	3.9
Textile fibers and manufactures	7.5	5.3	9.2	5.3	12.6	21.2
Wood and paper	3.2	3.7	2.1	2.7	2.4	2.4
Nonmetallic minerals	24.4	22.3	10.2	13.5	9.4	7.5
Metals and manufactures, except machinery and vehicles	5.3	5.4	6.2	7.5	6.9	3.7
Machinery and vehicles	9.0	10.5	16.2	17.4	17.9	13.3
Chemicals and related products	3.7	4.7	5.5	6.9	9.2	9.2
Miscellaneous	1.9	2.0	6.0	4.9	4.0	3.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
Dollar total (in millions)	$134.6	$118.8	$388.9	$262.5	$311.5	$197.4
By shipping weight:						
Animal and animal products, edible and inedible	0.9	0.9	3.9	4.3	5.7	6.9
Vegetable food products and beverages	18.2	15.5	16.8	15.8	20.6	28.1
Vegetable products, inedible, except fibers and wood	0.3	0.4	1.8	0.8	1.6	1.5
Textile fibers and manufactures	1.3	0.9	1.6	0.9	3.2	5.2
Wood and paper	2.7	3.2	2.2	2.1	3.0	2.8
Nonmetallic minerals	71.0	73.9	60.6	63.8	51.1	42.4
Metals and manufactures, except machinery and vehicles	3.7	3.2	6.2	5.0	5.2	3.0
Machinery and vehicles	0.5	0.6	2.9	2.5	2.9	2.1
Chemicals and related products	1.0	1.0	3.0	4.0	5.8	7.2
Miscellaneous	0.4	0.4	1.0	0.8	0.9	0.8
Total	100.0	100.0	100.0	100.0	100.0	100.0
Total weight (in thousands of short tons)	3,726.0	3,586.6	2,725.6	2,118.7	1,904.2	1,222.4

Source: Original data for calculations from San Francisco Board of State Harbor Commissioners' Reports.

thirds since the war. In addition, Canada has developed as an important market since the war, accounting for one-fifth of export volume in 1947 and 1949 and almost one-third in 1948.[1]

On the import side, Asia is again the San Francisco district's most important trading partner. Asia supplies 45 percent of the district's imports by value and about 40 percent by tonnage. Although over-all production in Asia has not revived, large copra imports from the Philippines, tin and rubber from southeast Asia, and vegetable oils and fibers have managed to push imports from Asia above prewar levels.

Continental Europe, Central America, and South America each accounted for approximately 15 percent by volume and value of the San Francisco district's imports in 1938 and 1939. Since the war, South American imports have been increasing in importance, providing almost one-third of import volume and value in 1949, while Central American imports have dropped slightly. In addition,

[1] In this connection, it must be kept in mind that the actual physical volume for individual countries may be lower, although their relative positions may be unchanged, because there has been a sharp drop in total export volume of the San Francisco customs district since 1938-39.

PERCENTAGE DISTRIBUTION OF IMPORT TRADE OF THE SAN FRANCISCO CUSTOMS DISTRICT
BY COMMODITY GROUP

By value:	1938	1939	1947	1948	1949	Jan.-Sept. 1950
Animal and animal products, edible and inedible	5.1	5.3	3.3	9.1	5.4	5.4
Vegetable food products and beverages	44.3	40.5	46.6	37.3	50.4	52.3
Vegetable products, inedible, except fibers and wood	19.4	17.5	29.0	18.8	13.6	13.1
Textile fibers and manufactures	12.7	19.5	8.3	18.3	12.1	15.1
Wood and paper	5.4	4.6	2.5	3.8	4.7	4.1
Nonmetallic minerals	2.5	2.0	1.1	0.6	1.6	1.2
Metals and manufactures, except machinery and vehicles	4.2	4.8	4.8	7.2	8.9	5.6
Machinery and vehicles	0.2	0.2	0.2	0.7	0.7	1.0
Chemicals and related products	3.0	2.4	1.8	1.0	1.1	0.9
Miscellaneous	3.2	3.2	2.4	3.2	1.5	1.3
Total	100.0	100.0	100.0	100.0	100.0	100.0
Dollar total (in millions)	$ 57.9	$ 59.6	$193.4	$224.5	$212.6	$216.0
By shipping weight:						
Animal and animal products, edible and inedible	2.3	3.1	3.9	3.4	2.2	3.9
Vegetable food products and beverages	31.3	34.0	26.7	28.8	34.1	28.6
Vegetable products, inedible, except fibers and wood	23.9	23.9	33.5	20.5	16.8	19.2
Textile fibers and manufactures	6.5	6.5	5.7	5.4	3.4	6.1
Wood and paper	10.8	10.8	7.6	10.1	9.5	12.2
Nonmetallic minerals	8.7	8.7	0.5	8.2	11.9	9.8
Metals and manufactures, except machinery and vehicles	10.2	10.2	14.7	16.7	18.2	16.4
Machinery and vehicles	0.1	0.1	..	0.3	0.1	0.3
Chemicals and related products	5.3	5.3	6.4	3.7	3.4	3.1
Miscellaneous	0.9	0.9	1.0	2.9	0.4	0.4
Total	100.0	100.0	100.0	100.0	100.0	100.0
Total weight (in thousands of short tons)	714.1	611.0	707.7	771.7	982.9	710.5

Source: Original data for calculations from reports of the San Francisco Board of State Harbor Commissioners.

imports from Oceania have become more important than those from Continental Europe.

Commodity composition of trade

In terms of tonnage, petroleum products constitute the most important export of the San Francisco customs district. From 72 percent of total export volume in 1938-39, the relative importance of petroleum products has declined moderately in postwar years to 59 percent, even though bulk oil shipments from San Francisco Bay have dwindled to approximately one-half the prewar volume.

The importance of agriculture in California's economy is reflected in the fact that, excluding petroleum products, agricultural products form the bulk of the San Francisco district exports.[1] Vegetable food products comprised more than 50 percent of the remaining export volume in 1938-39 and about 33 percent in 1947-49.

In terms of value, fruit exports, though at present lower than before the war, led all exports in 1938 and 1939 and again in the postwar years, with the exception of 1948. Rice, vegetables, fish, cotton, and dairy products have also been significant.

Meanwhile, the increasing diversification of the Bay Area economy is reflected in the upward trend of exports of metals, machinery and vehicles, and chemicals. Leading exports include industrial and electrical machinery, steel mill products, industrial chemicals, and aluminum manufactures.

Unlike exports, imports through the San Francisco district are not dominated by any single commodity group, although edible and inedible vegetable products contribute most heavily to the total. These two categories, together with textile imports, constitute more than three-fourths of total import value.[1]

Coffee, principally from Brazil, Colombia, and El Salvador, was the San Francisco district's most valuable single import in 1938 and in all postwar years. Also important in import trade are copra, bananas, newsprint, lead ores, and vegetable oils.

[1] In 1948 and 1949, California ranked second among the states in total cash farm income, with agricultural income in 1949 of $2,066 million—6.7 percent of total income payments in California.

[1] Edible and inedible vegetable products and textiles comprised less than three-fourths of import volume because of the relative lightness of textile products.

APPENDIX B

FOREIGN TRADE OF THE LOS ANGELES CUSTOMS DISTRICT

The ports of Los Angeles and Long Beach, located on San Pedro Bay, are the major general cargo ports of the Los Angeles customs district. The Port of Los Angeles handles almost all the general import trade, and shares almost equally with Long Beach in general export tonnage. The other ports in the district are small special cargo ports, such as Hueneme, Port San Luis, etc., which are scattered along the southern California coastline.

The history of the Los Angeles-Long Beach harbor also dates back to early days, with the discovery of San Pedro Bay in 1542 by Cabrillo, the establishment of the city of Los Angeles in 1781, and the first commercial transaction in 1805 when a ship from Boston put into the harbor. Unlike San Francisco Bay, San Pedro harbor is not naturally well-protected, but it has been gradually developed into an excellent man-made harbor through the construction of breakwaters.

The economic importance of the Los Angeles area and its recent notable growth enhance the commercial importance of the ports of Los Angeles and Long Beach. Population in the Los Angeles metropolitan area, now fourth largest in the nation, has increased 49 percent since 1940, and retail sales and income increased threefold from 1939 to 1949. Among the metropolitan areas of the nation, Los Angeles ranks second in the number of manufacturing establishments and fifth in value added by manufacture.

PERCENTAGE DISTRIBUTION OF EXPORTS BY DRY CARGO AND TANKER FROM THE LOS ANGELES AND SAN FRANCISCO CUSTOMS DISTRICTS, BY SHIPPING WEIGHT, 1936-37 AND 1946-50[1]

	1936	1937	1946	1947	1948	1949	1950
Los Angeles							
Dry cargo	12.7	10.8	36.1	32.0	24.3	37.3	24.6
Tanker	87.3	89.2	63.9	68.0	75.7	62.7	75.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Millions of lbs.	11,552.4	15,806.4	5,691.0	7,775.5	6,167.4	6,807.0	7,808.7
San Francisco							
Dry cargo	40.8	41.6	67.2	58.7	51.5	73.1	70.6
Tanker	59.2	58.4	32.8	41.3	48.5	26.9	29.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Millions of lbs.	5,067.4	6,423.4	4,751.0	5,449.6	4,238.0	3,809.0	3,483.6
California							
Dry cargo	21.3	19.8	50.3	43.0	32.3	50.1	38.7
Tanker	78.7	80.2	49.7	57.0	67.7	49.9	61.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Millions of lbs.	16,630.3	22,251.4	10,445.8	13,229.0	11,411.6	10,618.4	11,293.4

[1] Data for 1938 and 1939 not available for dry cargo and tanker exports.
Sources: United States Maritime Commission, Report No. 275, *Waterborne Foreign Commerce of the United States.* USDC, Bureau of the Census, FT 972, *Waterborne Trade by United States Port.*

PERCENTAGE DISTRIBUTION OF THE VALUE OF FOREIGN TRADE OF THE LOS ANGELES CUSTOMS DISTRICT BY COMMODITY GROUP AND TRADE AREAS, 1938 AND 1949

	Exports		Imports	
Commodity group	1938	1949	1938	1949
Animals and animal products, edible	0.9	3.9	4.8	2.6
Animals and animal products, inedible	0.2	0.5	0.8	0.7
Vegetable food products and beverages	7.7	6.2	30.0	27.7
Vegetable products, inedible, except fibers and wood	1.6	2.3	28.1	35.0
Textile fibers and manufactures	14.7	21.5	10.0	7.5
Wood and paper	0.6	1.1	9.0	15.7
Nonmetallic minerals	46.7	19.9	4.0	2.2
Metals and manufactures, except machinery and vehicles	6.5	14.6	3.7	2.3
Machinery and vehicles	16.3	21.7	0.7	1.9
Chemicals and related products	4.1	6.0	4.0	1.2
Miscellaneous	0.7	2.3	4.9	3.2
Total	100.0	100.0	100.0	100.0
Trade area				
Europe	22.7	26.9	26.4	15.5
North America	4.2	11.1	5.8	7.4
West Indies and Caribbean	3.4	1.6	0.7	0.3
Central America	2.4	4.1	5.8	7.6
South America	6.3	9.4	11.0	19.8
Asia	56.5	42.6	49.5	48.3
Oceania	4.2	2.6	0.4	0.9
Africa	0.3	1.7	0.4	0.2
Total	100.0	100.0	100.0	100.0
Dollar total (in millions)	$147.1	$258.8	$ 44.1	$142.6

Note: Data for the Los Angeles customs district by trade area and commodity group are not as complete as those for the San Francisco district. Therefore, percentages have been used, rather than actual figures, as a general indicator of the nature of Los Angeles' foreign trade. The figures for 1938 and 1949, however, are not strictly comparable. The 1938 figures, taken from the Department of Commerce's *Foreign Commerce and Navigation*, refer to trade by customs district from which exports left the country or in which imported goods are entered into warehouses or entered for immediate consumption. On the other hand, the 1949 figures refer to cargo laden on or unladen from *vessels* at Los Angeles district ports and include cargo transshipped to other customs districts. Furthermore, although some excellent reports are issued by the individual ports of the Los Angeles district, e.g., Los Angeles and Long Beach, they cannot be combined for the whole district since the Los Angeles report is compiled on a fiscal year basis, while other available reports are issued on a calendar year basis. The best source of postwar data is the machine tabulation sheets of the Bureau of the Census, containing commodity and country data by customs districts and ports. These sheets are the basis for the percentage calculations in the tables for the Los Angeles customs district for 1949, but no actual figures are presented here as they were compiled manually and have not been verified.

Direction of trade

The export trade of the Los Angeles customs district, like that of the San Francisco district, has been directed mainly toward Asiatic markets, a natural export outlet for Pacific Coast products. More than half of the district's exports by volume and value went to Asia in 1938-39. Since the war, Asia has continued to be the most important export market in terms of value; however, because of the decline in large bulk petroleum shipments, export tonnage to Asia accounts for only 15 percent of the total.

Europe was the other major recipient of the Los Angeles district's exports before the war. Although Europe's share of export tonnage since the war has also dropped, her value share remains unchanged. North America and South America have become more important since the war, accounting for approximately one-third and one-fifth, respectively, of total volume.

Asia was also the source of half of the Los Angeles district's imports by value and more than one-third by volume in 1938-39 and again in 1949. Before the war, Europe and South America were the other major sources of imports by value, while Central America and North America were important on the shipping weight side—16 and 13 percent, respectively, of import volume.

Since the war, Europe's share of import value has dropped, while South America's has increased. The increase in the postwar import volume of the Los Angeles district is accounted for primarily by import increases of 66 percent for Canada, 150 percent for Central America, and 250 percent for South America.

Commodity composition of trade

Since the Los Angeles customs district is in the heart of an oil-producing area, petroleum products have dominated exports by volume and value in both prewar and postwar years. A large surplus of export over import volume, a distinguishing feature of the Los Angeles district's foreign trade, reflects primarily the importance of petroleum products in the Los Angeles export picture. Tanker exports comprised 60 percent of total export shipping weight in 1936 and 1937 and 40 percent in 1946-50. However, by fiscal 1950, petroleum exports[1] had declined 60 percent from the 1938 level.

Some exports have increased, however. The rising postwar trend in the export of machinery and vehicles, chemicals, and iron and steel products reflects the concentration of much of California's industry in the Los Angeles area. Other important exports from Los Angeles which have increased since the war include raw cotton, fish products, borax, and fertilizers.

Edible and inedible vegetable products accounted for more than half of the import value of the Los Angeles district and 40 to 50 percent of volume in 1938-39, with textile fibers and wood and paper products next in importance. These groups maintained their relative positions in the postwar period.

Individual imports of importance in the Los Angeles district's import trade include coffee, beverages, copra, vegetable oils, newsprint, lumber, crude rubber, vegetable fibers, and chemicals.

[1] Includes petroleum exports in barrels by all types of carriers.