

The Curious Capitalist | Justin Fox

A Port That Exports

How can the U.S. close its trade deficit? A town in Georgia may have some answers

THE GIANT SHIPS FROM ASIA STEAM INTO the Southern California ports of Los Angeles and Long Beach laden with flat-screen TVs, flip-flops, copying machines, nail clippers, Thomas the Tank Engines and all the other necessities of modern life. They leave port a few days later loaded mainly with empty containers.

For years, this has been among the most resonant images of the U.S.'s economic predicament. The world makes. We take.

But there is another port, across the continent from L.A., where things look a lot different. Stand on River Street in the old Georgia city of Savannah, and the big ships you see squeezing out to sea through the narrow river channel actually float lower than the ones coming in. They're full of exports.

The cargo of these outbound ships tends to be on the less-than-glamorous side. The Savannah port's top export by volume is wood pulp. Other biggies include paper and paperboard, "drilling mud," kaolin clay, fabric and frozen chicken parts—in particular, chicken feet, beloved by Chinese gourmets.

"We're sending raw materials to foreign countries, and in return, generally speaking, we're receiving finished goods," says John Trent, director of operations for the Georgia Ports Authority, which runs the Savannah port and a smaller operation in Brunswick that specializes in cars and bulk materials. What goes out weighs more, but it's not worth more.

Still, something significant is up in Savannah. "I think it will be the No. 2 port in the U.S. within the next decade," says Hamid Moghadam, whose AMB Property owns and operates distribution facilities near ports and airports world-

wide. By that, Moghadam means it will continue to trail the twin colossi of L.A. and Long Beach, which he thinks of as one port, but will pass the currently much busier Port of New York/New Jersey.

Savannah's ability to balance imports and exports has been key to its rapid rise. Ship owners much prefer full vessels to empty ones. Savannah has been a raw-material exporter since the days of King Cotton, and its big challenge used to be finding enough imports to fill incoming ships. Port officials solved that by persuading the likes of Wal-Mart, Home Depot and Ikea to take advantage of ample vacant land near the port (something you don't find in New York or L.A.) to build distribution centers where they could unload merchandise from overseas and ship it to stores in the U.S. Now the question is, What else can Savannah export?

It's a question of more than regional interest. The U.S. has been on a three-decade binge during which imports have far exceeded exports, with the trade deficit peaking at \$758 billion, or 5.7% of gross domestic product (GDP), in 2006. Whether this is a good thing or a bad thing has been endlessly debated, with no clear resolution. But it does seem to be an unsustainable thing. The U.S. finances its deficit with money borrowed from abroad. At some point, those foreign lenders will want to be paid back. While

The U.S. really does still make stuff. Lots of it. Exports of goods and services are at an all-time high. It's just that imports have grown much faster

there are several ways to go about this—inflating our way out of our debts among them—the most palatable would be to produce more goods and services that foreigners want to buy.

Thanks to the declining dollar and the relative weakness of the U.S. economy, that's already starting to happen. The trade deficit was down to 5.1% of GDP in 2007, will probably drop further this year and would be even smaller if it weren't for the spike in oil prices (oil imports equaled 2.4% of GDP in 2007).

But can the U.S. really make and sell enough stuff to bring imports and exports into balance? Well, maybe. This country is, believe it or not, still the world's largest manufacturer. Exports are at an all-time high, both in dollar terms (\$1.6 trillion in 2007) and as a percentage of GDP (11.8%). It's just that imports have grown much faster over the years. The U.S. has continued to run surpluses in some high-tech, high-price-tag categories—aircraft, specialized industrial machines—and in agricultural commodities. It's in consumer goods—clothing, TVs, cars—that the big deficits show up.

Which brings us back to Savannah. In recent years, the Southeast has experienced a manufacturing boomlet, with foreign companies in particular setting up shop there to cater to the huge U.S. consumer market. Now, thanks to the weak dollar, they're looking overseas.

Among the products now shipping out of Savannah and Brunswick are U.S.-made JCB earthmovers and Mercedes SUVs—not to mention appliances, pesticides, resins, rugs and even a few hundred shipping containers a year of handbags. It is, so far, just a tiny trickle compared with the chicken feet and the clay. But it's a start.