

Texas has ranked first among the states in exports since 2002. The real value of trade processed through its ports grew at an average annual rate exceeding 8 percent from 1997 to 2009, nearly twice the national pace.

Rapid growth in trade with Asia implies that containerized shipping—the movement of goods by standardized intermodal cargo containers—will play an increasingly prominent role. Growth in twenty-foot-equivalent units (TEUs) processed at Texas ports has outpaced that at other U.S. coastal regions almost every year since 1997 (Chart 1).¹

Inland ports such as Laredo and Dallas-Fort Worth still process most Texas imports and exports, particularly with Canada and Mexico, partners in the North American Free Trade Agreement.

Texas seaports are almost as important, accounting for 42 percent of activity in 2009. What's more, waterborne trade grew at 6.5 times the rate of overland trade on average during 2002–08. The ports of Houston, Galveston and Freeport are the busiest, accounting for two-thirds of the state's seagoing cargo. In terms of foreign trade tonnage, the Port of Houston ranks first in the nation.

While trade in petrochemicals and other bulk commodities is the staple of Texas ports,

especially the Port of Houston, the best prospects for expansion lie in container shipping. Texas' overall share of U.S. container trade, although rising rapidly, was a relatively small 5 percent as of 2009 (Chart 2).

Container trade traditionally has been focused on the West Coast, particularly Southern California. Following the West Coast ports strike in late 2002, shippers began considering alternatives for cargo destined for the U.S. from Asia. Surging Chinese imports in the years preceding the recent recession, along with increasing Southern California port congestion, further fueled consideration of substitutes. Texas continues to be a likely option for a number of reasons.

First, container trade is largely driven by proximity to population centers and the strength of the local economy—and the Port of Houston fits these criteria with its proximity to Houston and its easy intermodal access to other fast-growing Texas metropolitan areas. Second, the opening of two big-box retail distribution centers near the Port of Houston in the mid-2000s made Texas an attractive West Coast alternative because the facilities import large quantities of containerized cargo from China and distribute well beyond the local area. Third, the Panama Canal's expansion

promises to drive more containerized cargo to Texas (see "On the Record," page 8).

As container shipments to Texas increase, the need to transport containerized goods from West Coast ports by rail or truck will decrease. The comparative efficiency of shipping by sea is well noted—one study found an additional 620 miles at sea may be as much as 86 percent cheaper than the same distance by land.² Further efficiencies will likely be realized through economies of scale as larger ships pass through the expanded Panama Canal.

These efficiencies are good news not only for Texas but for U.S. consumers. Lower shipping costs should translate into lower consumer goods prices.

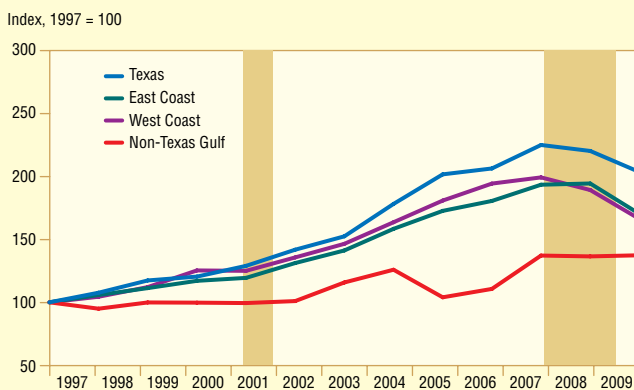
—Adam Swadley and Pia Orrenius

Notes

¹ A TEU is the standard nominal measure of volume for shipping containers and container trade. One shipping container is 20 x 8 x 8 feet.

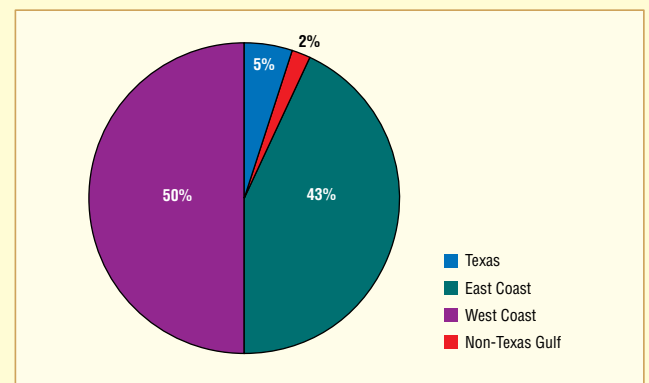
² "Infrastructure, Geographical Disadvantage, Transport Costs, and Trade," by Nuno Limão and Anthony Venables, *The World Bank Economic Review*, vol. 15, no. 3, 2001, pp. 451–79. The mileage given here is an approximate conversion from the 1,000-kilometer measure given in the paper.

Chart 1
Texas Container Trade Takes Off from 1997 to 2009
(Waterborne foreign container trade by U.S. coastal region)



NOTES: Shaded areas indicate U.S. recessions. The East Coast excludes Puerto Rico, and the West Coast excludes Alaska and Hawaii.
SOURCES: U.S. Maritime Administration; authors' calculations.

Chart 2
Texas' Share of Container Trade Still Small in 2009
(Waterborne foreign container trade by U.S. coastal region)



NOTE: The East Coast excludes Puerto Rico, and the West Coast excludes Alaska and Hawaii.
SOURCES: U.S. Maritime Administration; authors' calculations.