Commissioner Mario Cordero
Federal Maritime Commission
Remarks at Sala de las Americas
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(View speech En Espanol)

Thank you for your kind introduction. It is an honor to be here in Bogota addressing Sala Logistica De Las Americas. I have a great interest in international trade and the relationship between the United States and Latin America. I have been asked by the conference organizers to address the subject matter and role of the Federal Maritime Commission (FMC). Please note my comments today are my personal comments and do not necessarily reflect the views of the FMC.

Let me first congratulate Colombia on its diligent efforts leading to a Free Trade Agreement with the United States. The FTA was ratified by the United States Senate in October 2011 and became effective in May 2012. In President Santos's April press meeting with President Obama, he cited 500,000 jobs and estimated GDP growth of 0.5 % to 1 % "over the long term". Clearly, the FTA will have a positive impact to the Colombian economy. It also provides greater predictability in our trade relations, and ratifies the growing partnership between the U.S. and Colombia that exceeds the mutual benefits of improved international trade. In addition, advancing elements of security, environment, democracy building, and sustainable development is essential to our bi-lateral partnership.

As President Santos remarked following the international summit meeting last April, "There are enormous opportunities to work together in a more integrated fashion. North and South America will be able to find common denominators that will create synergies for the benefit of the North American and South American peoples." I strongly agree.

From Agreement to Achievement

Trade and related issues are a meaningful way to advance our partnership. Gaining the benefits of freer international trade is high on the economic agendas of both our nations. Colombia's recent trade agreements with Canada and the European Union – and its other on-going trade discussions – are affirmations to advance partnerships. But as we know, important as formal agreements are, the real test encompasses three important areas:

1) Developing the physical infrastructure and modern information systems on which effective and efficient logistics supply chains depend;

2) Establishing policies and processes that enhance regulatory coherence and encourage corporate social responsibility; and

3) Ensuring that governments and private sector leaders pursue strategies that support truly sustainable growth.

In a globalized economy that, unfortunately, is operating at less than optimal levels – Colombia has the important advantage of a well deserved reputation as being both business-friendly and reform-minded.

Federal Maritime Commission

Let me address the role of the FMC. First, I am one of five Commissioners who are appointed by the President, subject to confirmation by the United States Senate. The FMC is an independent regulatory agency responsible for regulating oceanborne transportation in foreign commerce in the United States. The FMC takes an active role in cultivating a regulatory system that protects competition, commerce, and U.S. exporters and importers while at the same time minimizing government intervention and regulatory costs.

As you may already know the FMC licenses and regulates ocean transportation intermediaries (OTIs), which includes ocean freight forwarders and non-vessel-operating common carriers (NVOCCs). OTIs assist in transportation for oceanborne cargo moving in the U.S.-foreign trades. There are two types: NVOCCs and ocean freight forwarders. NVOCCs are common carriers that do not operate the vessels by which transportation is provided. Ocean freight forwarders in the United States arrange for the transportation of cargo with a common carrier on behalf of shippers and process documents related to those shipments.

Moreover, the Commissions' primary focus at this time is on supporting U.S. exports and economic growth promoting the President's National Export Initiative, reducing regulatory burdens, and monitoring foreign shipping practices.

For example, the FMC:

(a) *assisted United States Department of Agriculture in the development of a weekly container availability report – (helping export logistics);*
(b) *allowed for an exemption to NVOCC's tariff publishing requirement – (regulatory relief);*
(c) *prepared a study on cargo diversion and the impacts and the extent to which the U.S. Harbor Maintenance Tax (HMT), specific U.S. policies, and other factors that may incentivize container cargo to shift from U.S. West Coast ports to those located in Canada and Mexico- (proactive studies); and*
(d) *advanced the discussion of U.S. freight infrastructure needs– (importance of freight infrastructure)*

Recently, the FMC also released a Study of the 2008 Repeal of the Liner Conference Exemption from European Union Competition Law. The primary issue addressed the impact the repeal of the liner conference block exemption in Europe had on U.S. liner trades.

The Importance of Physical Infrastructure & Social Responsibility

In today's globalized economy, nations must efficiently use their resources and human capital to be fully competitive. Free Trade Agreements are an important component in facilitating international trade and striving for economic prosperity. In addition to trade related agreements, implementation of a 21st century logistics system is paramount. Trade logistics, which involves the movements of product from the manufacture to consumer, is a necessary component of the trade discussion. I am sure you will agree that there are significant challenges on this front.

A primary requirement for effective trade logistics is investment in infrastructure, to include both air and seaports. As some of you may be aware, prior to my appointment to the FMC, I served as a Commissioner on the Port of Long Beach Harbor Commission for a period of eight years. Long Beach is the second largest container port in the United States, and with its immediate neighbor, Port of Los Angeles, the largest port complex in the Western Hemisphere. In my opinion, investment in logistics begins at the ports. So I am pleased to note that Colombia has placed great emphasis in investing in the ports of Buenaventura, Santa Marta, and Cartagena.

As an example of the importance of investing in port infrastructure, let me reference the present infrastructure expansion in both the Port of Los Angeles and the Port of Long Beach. Already the number 1 and number 2 ports, respectively, on the continent, LA and Long Beach are continuing to invest in infrastructure construction - in the sum of $6 billion - for new berths and rail yards. Specifically, Long Beach in particular is moving forward with a state of the art terminal, the Middle Harbor project, and Los Angeles is expanding two terminals, TraPac and Eagle Marine Services.

The anticipated completion of the Panama Canal in 2014 has prompted investment in our seaports not only at the POLA and POLB, but in addition, ports throughout the United States. The American Association of Port Authorities (AAPA) notes that U.S. ports will invest approximately $46 billion over the next five years to upgrade their facilities. Clearly, investment in the logistic chain requires an increase in capacity and efficiency to stay competitive in today's global market. Despite the investments referenced at the U.S. ports, challenges remain with the overall infrastructure in the United States. Regardless of location and size of a port, all ports recognize the need for continued infrastructure development to stay competitive.

The Free Trade Agreement reportedly allows more than 1,100 Colombian products to enter the U.S. duty-free – and more are to be phased in over the next 10 years. But to maximize the available benefits, those products have to move efficiently from their domestic source to and through Colombian ports. And the same applies, in reverse, for imports from the U.S. In short, the Trade Agreement creates an opportunity – but this is just a starting point.

To become a serious player in global trade, a key next step is developing and maintaining effective and sustainable connectivity with Colombia's hinterlands and developing logistics centers. The World Bank and World Economic Forum analysis of Colombia's quality of port infrastructure and trade and transport-related infrastructure show substantial improvement since 2007 – but much is left to be accomplished.

The World Economic Forum released a report (Global Competitiveness Report) last year ranking the quality of overall infrastructure of 142 countries. The United States ranked 24th and thus investment in infrastructure remains a priority in the U.S. in order to strive for an effective and efficient transportation system. The report ranked Colombia at number 95. In a 2011 article on Colombia's infrastructure by the respected business publication, *The Economist* shared the perspective of a Colombian truck driver who noted that to drive 410 km (approximately 255 miles) from Bogota to the south-western city of Cali can take 14 hours "on one of the better routes." The article continues to discuss the difference in container shipping costs ($1,770 in Colombia compared to $1,480 in Argentina).

The principle is straightforward: the more efficient and reliable a country's ports and domestic transport systems, the more competitive it will be for its exports. More productive port facilities and better connectivity to improving intermodal facilities, such as rail and road systems, can expand trade opportunities for Colombian exporters. And, as we know, competitive industries also attract foreign investments.

As an example of our partnership to move forward with trade related infrastructure, in April of this year, the United States Trade and Development Agency awarded a grant to Terminal Fluvial Andalucía for a feasibility study to address the viability of a new inland river port along the Magdalena River. The contemplated inland port would work as a feeder to the ports of Cartagena and Barranquilla and would also reduce internal transportation costs by as much as 30 percent. The $550,000 grant is an example of USTDA's partnership with Colombia to facilitate trade and maximize the opportunities presented by the FTA. To maximize Colombia's potential in international trade and the opportunities presented by the FTA with the United States, infrastructure investment is essential.

Today, the logistics industry members are key stakeholders in international trade. Accordingly, your interest should mobilize you to be strong advocates for a 21st century infrastructure in Colombia. Whether in the United States or Latin America, the partnerships between the public and private sectors are essential in moving forward infrastructure investment policy. I challenge all of you to engage at all levels.

Attaining a standard of sustainability is one of the great challenges facing any development plan. Personally, it is important to remember that this challenge is not solely economic and environmental; it also includes the obligation of social responsibility. While the Colombian-U.S. Free Trade Agreement has provided an excellent foundation for social responsibility, it must be taken as a starting point. Companies must continue to engage with main stakeholders, including labor, in a way that promotes technology and innovation. The physical infrastructure is the base, but operational excellence is only truly possible when all stakeholders are involved. I urge you to continue to build on the progress already made in Colombia and work towards development that is not only environmentally sustainable, including renewable energy, but beneficial to all parties. In our role as regulator of marine terminal operators and ocean common carriers, the FMC has seen environmental issues become increasingly central to the agreements and shipping practices we monitor and regulate. We have implemented sustainable practices ourselves, furthering President Obama's goal of creating green jobs and seeking a more sustainable approach to maritime issues.

I also would like to emphasize the importance not only of trade between the United States and Colombia, but in addition trade between the United States and Latin America. A year ago speaking in Chile, President Obama stated that Latin America is a "region on the move." The President noted that Latin America has engaged in both economic and diplomatic growth and called for "a new era of partnership across the Americas." You may recall that in 2009, the President (within his first 100 days in office) attended the Summit of the Americas to further both political and economic relations between North and Latin America. Notably, the United States exports to Latin America are three times greater than United States exports to China. This year, 2012, at the Cartagena Summit, the President again emphasized the importance of partnership with Latin America and noted that trade with the region and United States has increased 46% during his Administration. These developments clearly are an affirmation of a true partnership.

Thank you again for allowing the opportunity to address you here in Colombia. I am confident that we in this room agree on the great potential for Latin America, as a region, to be a significant player in international trade. In the region, we have a 21st century infrastructure project moving forward, the $5.2 billion dollar Panama Canal expansion, scheduled for completion in 2014. I applaud Panama for its vision and determination. It is not only a statement for Panama, but a statement for the potential and willpower for all of Latin America.

I believe that Colombia will soon be making its own statement, lead by President Santos' $55 billion infrastructure investment plan. I commend the Colombian people for their vision and political will in moving forward with a 21st century logistic plan of action.