Commissioner Mario Cordero
Federal Maritime Commission
Remarks at XXI LATIN AMERICAN CONGRESS OF PORTS
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First, thank you for your kind introduction. It is an honor to be here in Antigua at the XXI annual Latin American Congress of Ports hosted by the National Port Commission of Guatemala. I am especially honored to have been asked by the conference organizers to speak to you this afternoon on the subject of sustainability in the development of Latin American ports.

As many of you are aware, I have previously attended the annual Congress of Latin American Ports in my former capacity as a Commissioner on the Port of Long Beach Harbor Commission. This will be my first time addressing the conference as a Federal Maritime Commissioner, appointed to the Commission by President Barack Obama and confirmed by the United States Senate in 2011. Please note that my comments made today are my personal comments and do not necessarily reflect the view of the FMC.

I have a sincere interest in the Latin American trade agenda, not only due to my Hispanic heritage, but my belief on the importance of a strong western hemispheric trade alliance. An alliance based on collaboration, and promotion of mutual interest of both Latin America and North America.

As many of you may know, the Federal Maritime Commission is responsible for regulating ocean borne transportation in the 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 minimizing government intervention and regulatory costs. Presently, the Commission’s primary focus is on supporting U.S. exports and economic growth, reducing regulatory burdens, and monitoring foreign shipping practices.

In our role as a 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. As ports and carriers adjust to reduce their environmental footprint, the FMC will serve as a helpful partner. A top priority by FMC Chairman Richard Lidinsky, Jr. is to advance the Obama Administration's goals of creating green jobs and seeking a more sustainable approach to maritime issues.

Recently, the FMC’s Bureau of Trade Analysis released a Study of the 2008 Repeal of the Liner Conference Exemption from European Union Competition Law. The primary issue addressed in the multi-year Study is: What impact has the repeal of the liner conference block exemption in Europe had on U.S. liner trades? The study was launched in response to concerns that the European Union’s repeal might produce freight rate reductions in EU liner trades relative to U.S. liner trades. The Study’s primary finding is that through 2010, "The repeal of the block exemption does not appear to have resulted in any negative impact on U.S. liner trades." Rates "declined to the same degree in both U.S. and EU import trades," and "increased to a similar degree in both U.S. and EU export trades being compared." The Study recommended further review of trends following the 2006-2010 time period examined.

The secondary findings suggest a number of additional questions. For example: What difference, if any, does it make to carriers or shippers if a block exemption or antitrust immunity is granted or withheld? Does discussion and information sharing among carrier discussion agreement members have a separate and distinct utility apart from the success or failure of the lines' common pricing proposals?

Currently, the Commission is still reviewing 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. In recent years, there has been a steadily observed increase in the amount of U.S.-destined cargo moving through newly-established Canadian port Prince Rupert and the expanded Mexican port Lázaro Cárdenas. These same years saw investment in and promotion of Canadian and Mexican port and intermodal rail infrastructure, as well as changes to security considerations and customs inspection procedures.

Returning to the topic of Latin America and development of port infrastructure, I reference a report issued by the Brookings Institute back in November 2008. As you may know, Brookings is based in Washington DC and is considered as one to the world's top international think tanks. The report entitled the *Latin American Initiative* addressed recommended Latin American policy with the stated objective of improving and furthering the development of economic policies between the United States and Latin America. The aforementioned report resulted in facilitating the *Partnership for the Americas Commission*. I will note that a member of that Commission was former Vice-President of Guatemala, Eduardo Stein. The Commission proceeded to list a series of recommendations for the Obama Administration regarding Latin American Policy. Among the recommendations, was expanding trade opportunities between the two regions. In addition, development of sustainable energy resources and climate change initiatives, elements required for a credible sustainable development.

Speaking in Chile a year ago, President Obama stated that Latin America is a "region on the move." The President noted that Latin America has engaged in both in economic and diplomatic growth and called for "a new era of partnership across the Americas." In addition, in 2009, the President, within his first 100 days in office, attended the *Summit of the Americas* to further both the political and economic relations between North and Latin America. On this note, the United States exports to Latin America are three times greater than to China. Hence, with this background, it is my pleasure and honor to be here on this panel to engage in a maritime related discussion on the development of Latin American ports with a framework of sustainability.

Last month the Inter-American Development Bank issued a report acknowledging relatively strong growth in recent years in Latin America during the global recession. Looking forward, should the worse global economic scenario occur (i.e., deepening of the debt crisis in Europe and a deceleration of China's economy), the Bank opined Latin America would not be seriously impacted. I have made reference to both Brookings and the Inter-American Development Bank findings as evidence of the positive growth and development of the Latin American region. As many of you in this room would agree, trade in the globalized world has benefited Latin America. However, the success of a nation's international commerce begins at the ports.

As our economies grow and particularly as Latin American countries improve their port facilities, connectivity to road and rail networks should expand opportunities for processing and manufacturing industries. To become a serious player in global trade, a key step is to improve port facilities, increase effective and efficient connectivity with hinterlands, and establish logistic centers. The more efficient and sustainable one's transport system becomes, the more competitive one's exports become, and the less expensive imports become.

Given this growth, let me address the question of sustainable development. First, we must look to the commonly accepted definition of "sustainability." The United Nations addressed this question back in 1987 by way of the Brundtland Report issued by what is known today as the Brundtland Commission. The objective was to create a global agenda for change specifically within the principle of environmentally sustainable development. In essence, one can address environmental concerns parallel with economic growth and development. The Brundtland Commission proceeded with a concise definition of sustainable development as follows:

> "*Sustainable development is development that meets the needs of current generations without compromising the ability of future generations to meet their own goals.*"

To meet the challenge of sustainable development, it is critical to partner with industry. Furthermore, the application of sustainable development may vary from industry to industry. However, the key elements to a sustainable development model would include the following: 1) economic growth; 2) environmental protection; and 3) social equality.

Applying the discussion of sustainability to the maritime community, we must focus on ports and transportation infrastructure. On this note, while Latin America, as a region, has experienced growth in light of the global recession, as a general observation, there are ongoing challenges in the development of 21st century infrastructure. Yet, challenges present opportunities for Latin American ports to incorporate sustainable development.

The port/transportation sectors are a main source of pollution and greenhouse gases. This was acknowledged by the Economic Commission for Latin America and the Caribbean at an international seminar held in Montevideo, Uruguay in 2010. In addition, it noted that many countries in Latin America in fact have low-carbon and emission reduction policies in place to be applied to transportation and port infrastructure. Hence, the question of sustainable development is no longer futuristic or utopian. Rather, one in which today there is international consensus for an action plan.

I will note that in a few months, Brazil will be hosting the RIO Plus 20 Conference which will address the subject sustainable development. Today, more than half of the world's inhabitants are residing in cities; and by 2030, it is predicted that two-thirds will reside in an urban setting. A focus at the conference will be the advancement to green technology to improve transportation infrastructure.

Ports must identify green growth opportunities as part of their infrastructure development. This would include examining and evaluating both alternative and renewable energy sources. Without question, energy related costs in port operations are significant. The goal to maximize energy efficiency is now paramount to 21^{st} century port operations. Many leading ports around the world today have in place renewable energy action plans and I suggest will have a competitive edge on today's globalized commerce.

The environmental and energy aspects of sustainability are subjects close to my heart, but also large subjects worthy of separate discussion. However, I will take this opportunity to call for both the public and private sector communities to consider their obligation to commit to social responsibility. It is acknowledged that many in this room representing their respective ports have or are considering advancing environmentally friendly initiatives. While some may interpret these initiatives as solely "environmental," many recognize the efficiency correlation. In regard to energy, given the rising cost of oil, it is paramount that renewable energy and alternative fuel concepts are included as part of a long term port infrastructure development plan. One may choose to ignore these concepts for short term gain; however, you can be sure of a risk for a long term loss.

As maritime stakeholders, we understand the pressures that economic growth and increased trade flows create – and the opportunities they offer when we rise to the challenge. The challenge, it is important to remember, is not solely economic and financial. For development to be sustainable, a port, a country or an individual business must achieve balanced progress on economic, social and environmental benefits. Its strategy process, daily operations, and external communications need to address all three elements and their interconnections.

As referenced earlier, we have an excellent opportunity as President Obama noted -- to move forward with "A new era of partnerships across the Americas." In terms of trade relations between Latin America and the United States – it must be recognized that Latin America is not a homogenous region; it is not a single unity. Geographically, it breaks down into South America, Central America, and Mexico, which under NAFTA is considered part of North America.

Economically, there is also a great deal of diversity – Brazil, with the 7^{th} highest GDP in the world, has global ambitions symbolized by its hosting of the World Cup and Olympics in the near future; Chile and Mexico are members of the Organization of Economic Cooperation and Development; and Panama and Columbia have established free trade agreements with the U.S.

However, I believe there are important general commonalities, just as there are important differences. One commonality is the importance to all that our countries improve our national economies, and ultimately our quality of life, through increased trade and investment – that is, our interest in more effectively accessing the globalized markets that affect us all.

A second commonality is that the maritime trade of all our nations is likely to be significantly affected, in the near future, by the expansion of the Panama Canal. The development of that project will stimulate trade flows and the increase the urgency, in all our countries, for greater investment in infrastructure.

The 21st century maritime transportation infrastructure project is the $5.2 billion expansion of the Panama Canal. The main impact of the inauguration of the Canal back in 1914 was the development of the United States west coast by making it easier to travel to California and the Pacific Northwest, and the establishment of a two-ocean Navy. In recent years, the most discussed impact -- but not the only one -- seems to be the increased trade between Asian markets and East Coast ports in both North and South America.

Looking ahead past 2014, most commentators in the United States appear to center on the impact of the Canal expansion on either increased competition between U.S. West Coast and East Coast ports in the Asia trade, or on the likely expanded use of trans-shipment hubs to handle the increased cargo flows carried by mega-carriers. One trans-shipment hub may end up here in Guatemala. Yet, as I referenced earlier, the Canal expansion is certainly a 21st century infrastructure project that many believed was cost prohibitive and would not meet the projected time table – completion in 2014. I applaud Panama for its vision and leadership in moving forward with this great $5.2 billion project. It is not only a statement for Panama, but a statement for the potential and will power of all of Latin America.

On this I conclude with the following question to you – can we not exert the same vision and leadership toward the concept of sustainable development of port infrastructure? I challenge you to lead on this important question.

Thank you for your time and interest on this subject matter. I look forward to any questions you may have.