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The Death of Globalization? You Won't Find It in New Orleans.

The city that was once the world's gateway to America is betting it can win in a new and different era of global integration.

By Jeanna Smialek and Ana Swanson Photographs by Edmund D. Fountain

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NEW ORLEANS — The pandemic-era collapse of supply chains spurred speculation that globalization was on the decline, as companies vowed to become less reliant on foreign providers of goods and services. But if New Orleans is any example, the world is headed for less of a retreat from global trade and more of an overhaul to how it operates.

A critical gateway between the Mississippi River and global oceans, New Orleans has been an entry and exit point for the United States since before the Louisiana Purchase. The city is now betting that position will continue — and even deepen — as the world enters a new era of global integration.

The New Orleans port is one of the nation's busiest for agricultural exports like soybeans and corn. But it has struggled to compete for the lucrative imports that are ferried on huge ships from Asia in part because those vessels cannot fit under a local bridge. As global supply chains rearrange in the pandemic's wake, New Orleans's proximity to Mexico and its position on the Mississippi River could help make it a crucial stop in what many expect to be a more resilient and supply chain of the future.

Executives at the New Orleans port are wagering on that transformation: They recently unveiled a plan to spend $1.8 billion on expanding the port to a new site that can handle more trade and accommodate bigger boats.

That optimism about the future of trade breaks with some of the worst fears of the past few years, as pandemic-related supply chain disruptions, Covid lockdowns in China and Russia's war with Ukraine shook confidence in the global trading system. Policymakers and company executives vowed to become less reliant on China and to locate supply chains closer to home. That prompted predictions that the world was headed for a period of "de-globalization," in which the trade and financial ties that have brought countries closer in recent decades would spin into reverse.

So far, economic data show few signs of such a sharp retreat. Global trade volumes are growing more slowly, but they continue to reach new highs, with significantly more goods and currency crossing international borders than ever before.

New Orleans has long been a key artery through which products made in the America's South and Midwest flow to buyers overseas.

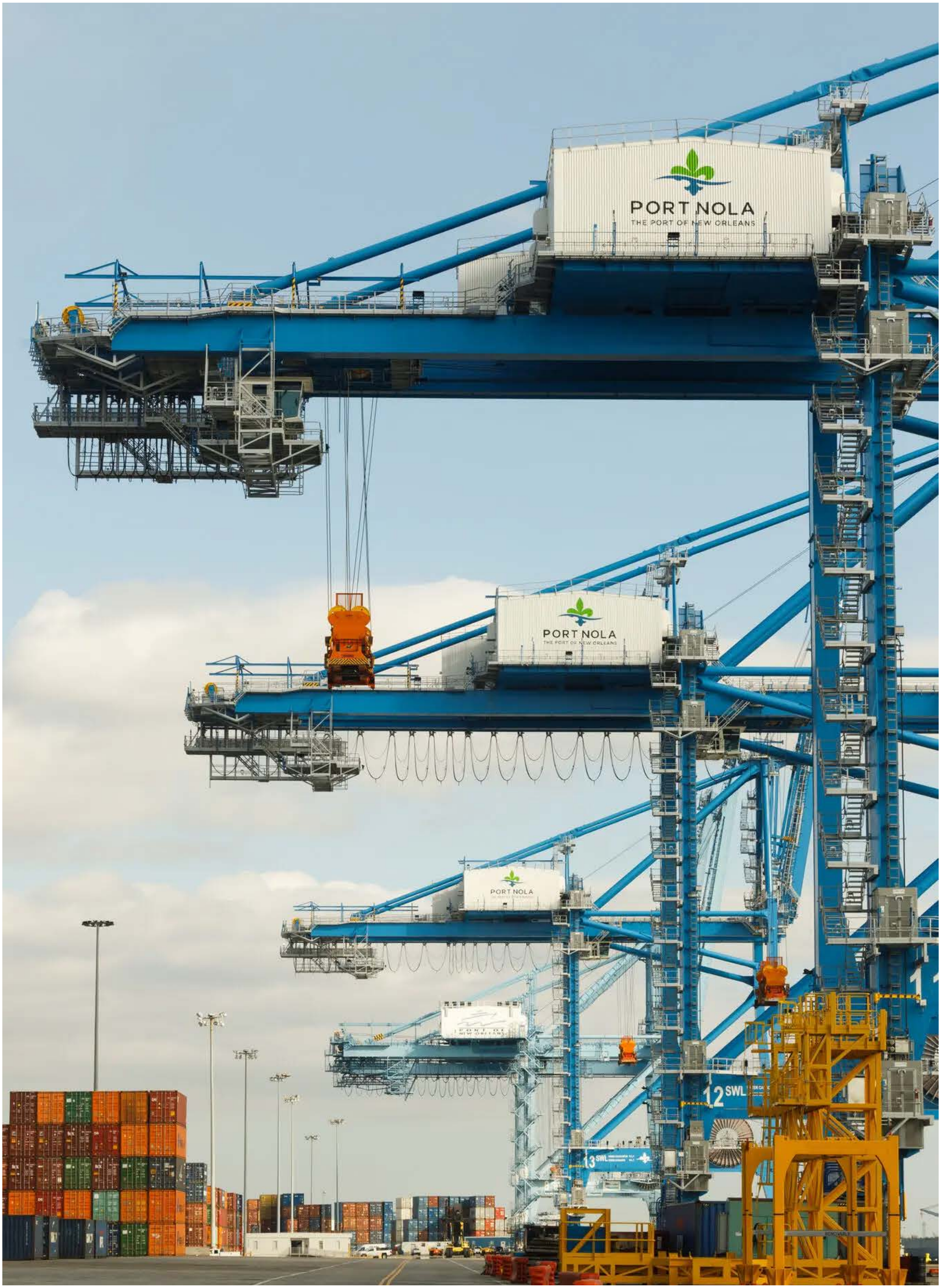
Some firms are looking beyond China for manufacturing capacity, but that doesn't necessarily mean that they are retreating from global integration: Many are turning to countries like Mexico, India and Vietnam. And even as pandemic supply chain issues have alerted companies to the risks inherent in the existing trading system, that seems to be encouraging them to diversify their global supply chains, not dismantle them.

The trends, and the way institutions like the Port of New Orleans are responding, underscore that globalization is evolving rather than unraveling altogether. The changes to trade now underway seem likely to rework who partners with whom and could make international commerce less efficient and more expensive. But the profit motives that have encouraged companies to search out the globe for parts, workers and new markets are still going strong.

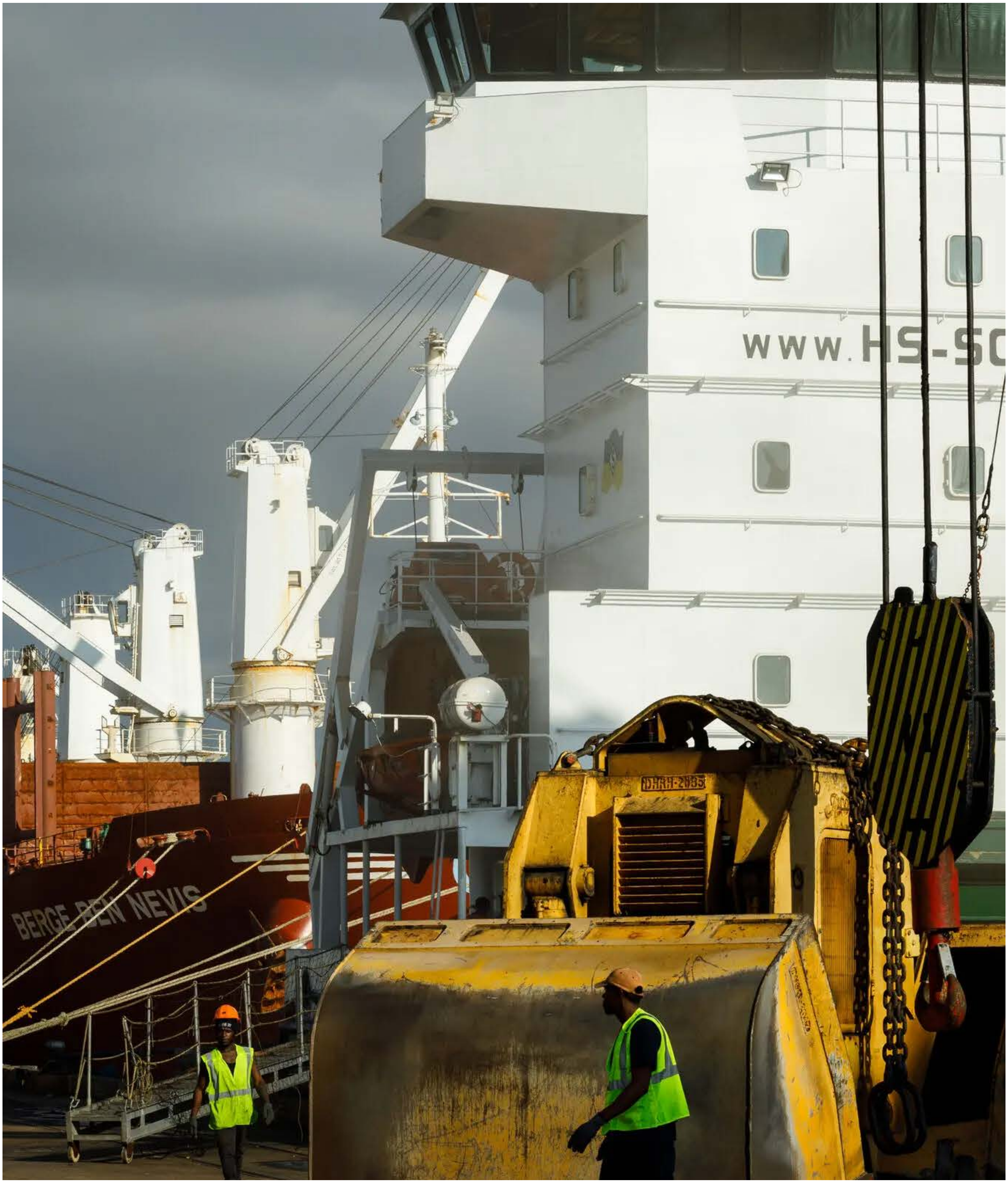
"When I hear people say the word 'globalization,' what I hear is 'cost minimization,'" Raphael Bostic, president of the Federal Reserve Bank of Atlanta, said in an interview on Jan. 7. "The new globalization is not going to have that second part to it."

American officials remain concerned about the country's reliance on foreign sources for key goods. The Biden administration has kept hefty tariffs on products from China and put new limits on technology trade with the country. Officials have also embraced the idea known as "friendshoring" — moving production to factories in allied countries. And they have introduced grants and tax credits to lure manufacturing of clean energy and technology products to the United States.

U.S. officials say these changes will make the nation more self-sufficient and create more jobs. But economists warn that this new model of global trade poses risks. As countries look to guard their supply chains against disruptions and geopolitical threats, they could wind up becoming protectionist in ways that make trade links more siloed and more expensive.


PORT NOLA
THE PORT OF NEW ORLEANS
PORT NOLA
PORT NOLA

Cranes used to unload shipping containers.



And as "friendshoring" reroutes production to nations in Latin America, New Orleans could benefit from the proximity.

"I'm worried about the slippery slope that comes with these trading models," Gita Gopinath, first deputy managing director of the International Monetary Fund, said in an interview this month.

Ms. Gopinath said that the new era of globalization could cause companies to opt for trade and transport options that prioritize political goals and consistency over cost. That could push up prices for consumers — potentially keeping inflation, which has been elevated for 18 months, faster than it would be otherwise.

Other experts are more optimistic about the changes unfolding.

Edward Gresser, the director of trade and global markets at the Progressive Policy Institute and former head of economic research for the Office of the United States Trade Representative, said that the rise of a middle class in Asia, the growing reach of the internet and e-commerce, and the increasing efficiency of shipping networks are pushing the world toward more, not less, trade.

And even as U.S. officials talk about bringing supply chains back home, they are making large investments in ports, waterways and broadband that will make trade cheaper and easier, Mr. Gresser said.

"De-globalization is more of a slogan than something that is actually happening," Mr. Gresser said. "If you're willing to put several billions of dollars into building a new port, that's a big guess that globalization is not going away."

Shipping costs, which shot up amid a shortage of containers prompted by pandemic-induced demand, have fallen back to where they were before 2020.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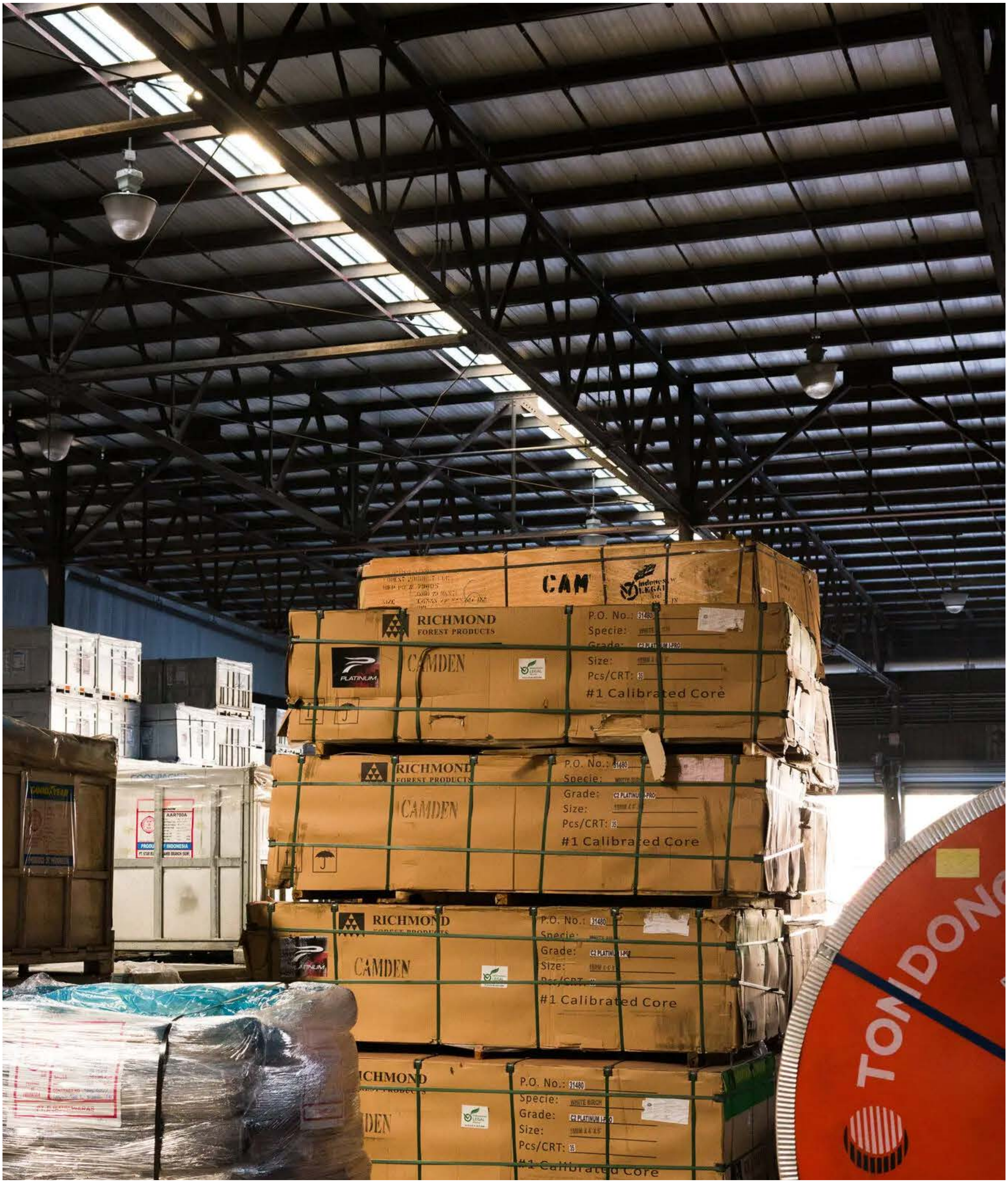
Cases of natural rubber stacked inside a warehouse at the Port of New Orleans.



Plywood at the warehouse at the port.

Data on global trade in intermediate goods — the materials that companies use to build finished products — suggests that global supply chains have not significantly retracted in the wake of the pandemic.

Stripping out fuel, which tends to be more volatile, the share of intermediate goods in world trade remained steady through the second quarter of 2022, at around 50 percent, on par with the level before the pandemic, data from the World Trade Organization shows.

Although these figures might change more in the years to come, they suggest that companies are still looking to foreign partners to supply them with the parts they need — providing economic opportunity for places like New Orleans.

The city has been held back from becoming a major destination for the ever-bigger container ships that ply oceans — often destined for ports like Los Angeles, New York and Savannah — partly because the largest ones cannot fit under a white metal bridge that stretches across the waterway just below the port's unloading area.

Trying to Attract Importers

New Orleans is the nation's 11th-largest importer. It wants to attract more imports, but it lags competitors with easier access to Asia and an ability to accept bigger ships.

Annual Imports by Major U.S. Port

Note: Values are calculated in 2021 dollars. • Source: Commerce Department • By The New York Times

Port and local government officials had debated a plan to expand the port downriver for years. Now, they're taking the leap: Last month, the governor of Louisiana announced that a public-private partnership would deliver the $1.8 billion project to build the new container terminal on the Lower Mississippi River, south of the bridge. The partners plan to apply for grants funded by the infrastructure law passed in late 2021 to help finance the project.

Port leaders are betting that the expansion will help to make the city attractive to companies that have realized their supply chains are vulnerable. Persistent congestion in Los Angeles in recent years has pushed importers to look for new entry points for their products.

And as more companies reroute their production to Mexico and other nations in Latin America, New Orleans could benefit from the proximity.

"You need to spread your supply chain," said Brandy Christian, chief executive of the Port of New Orleans.

Already, the port is seeing a shift in how some companies ship products. Coffee, which comes into the port from Brazil, Costa Rica and elsewhere, provides one example.

Coffee had for decades shipped in large metal containers, which is the cheapest way to move it. But during the pandemic, these containers were in short supply and shot up in price. So importers began opting to send their product in massive rolls called "breakbulk."

Silos filled with unroasted coffee at the dock. The port is one of the nation's busiest for agricultural trade, it has struggled to compete for the imports that huge ships ferry from Asia.

Containers are now more available, but port officials expect the change to linger despite its higher costs, as importers preserve their new ties with breakbulk shippers.

It's an allegory for how economists expect trade to evolve in the years ahead: Transit routes will be more intentionally varied, and the final product potentially more expensive as a result.

It remains unclear how long-lasting these changes will be. Consumer demand for goods, elevated during the height of the pandemic, has been returning to more normal levels. Shipping costs, which shot up due to supply chain bottlenecks, have fallen back to where they were before 2020. Inflation for products like cars and furniture is moderating.

For now, companies have been willing to spend more to diversify their supply chains after getting burned by delays and price spikes, but bigger savings and profits could tempt them to abandon the approach.

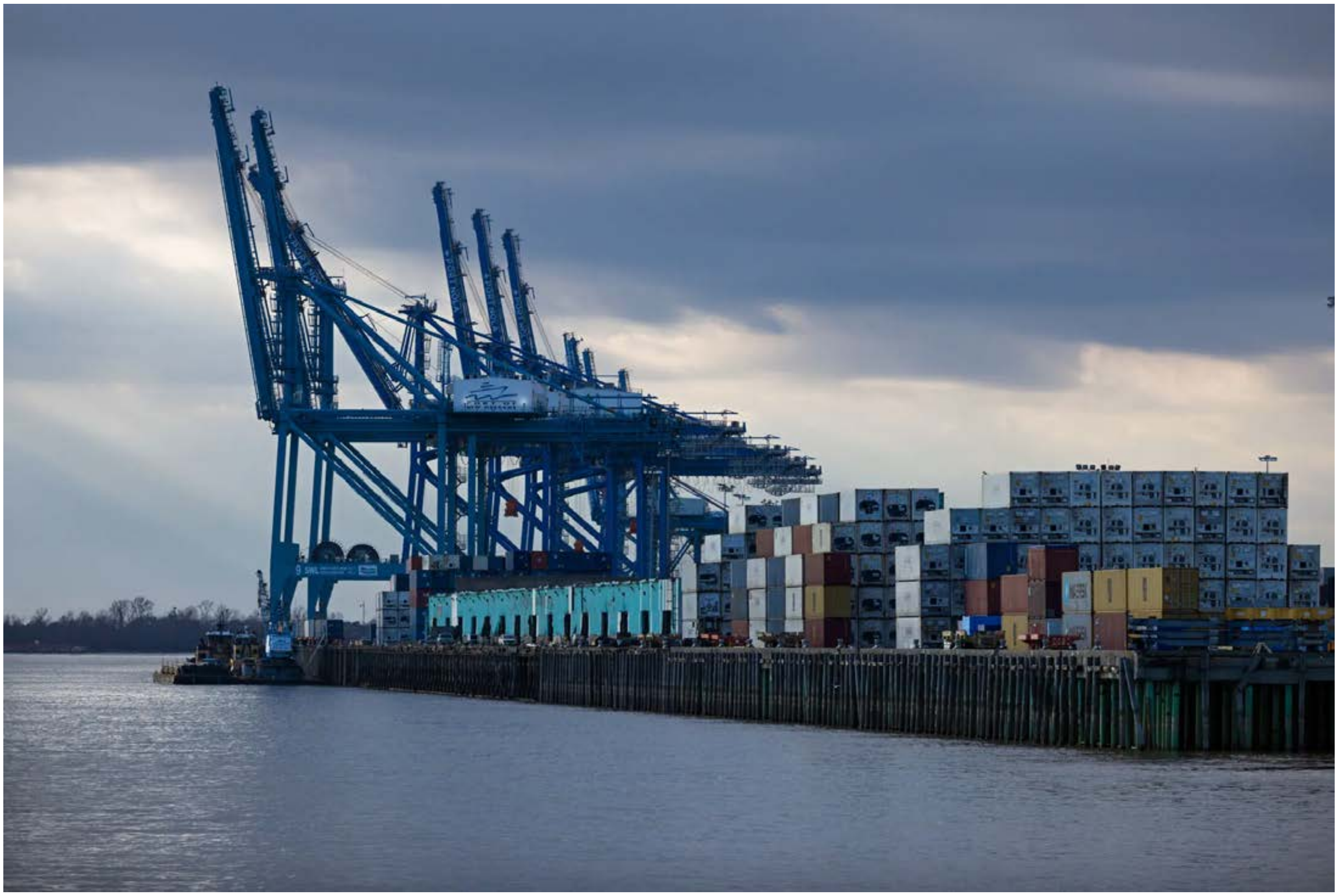
"I am really curious to see how short people's memories are," said Dan Swan, a senior partner in McKinsey's operations practice, which advises companies on their supply chains.

Still, corporate executives appear to have a new understanding of how vulnerable their business models could be in future geopolitical disruptions — like a potential conflict between the United States and China — or the supply chain disruptions that could result from climate change, said Eswar Prasad, a professor of trade policy at Cornell University and a senior fellow at the Brookings

Institution.

Mr. Prasad said that many companies were finding it hard to replicate China's manufacturing advantages elsewhere. Still, more foreign direct investment has begun to flow to countries like India, Mexico and Brazil, he said, and the trend is likely to become more pronounced in the coming years.

"Corporations do seem convinced still of the benefits of globalization, but what they're trying to do is mitigate some of the risks," Mr. Prasad said. "What you're really looking at is changes in the pattern of globalization, rather than overall volumes of global trade or financial flows."



The port has since 2017 tapped into a container-to-barge service that allows vessels to unload onto boats that whisk products up the Mississippi River.