

Traffic surge

Imports and exports through the area gained big last year, with energy being a major reason



JULIO CORTEZ PHOTOS : CHRONICLE

IN THE MIDDLE: Jugal Malani, CEO of Unique Industrial Products in Sugar Land, says the importer feels pressure from the weak dollar. Malani does not want to pass on the higher costs to customers.

By PURVA PATEL
HOUSTON CHRONICLE

CREDIT rising oil prices, the decline in the value of the dollar and increasing industrialization abroad for boosting foreign trade 14 percent through the Houston area last year.

The value of goods traded through the Houston-Galveston Customs District shot up to \$185 billion in 2007, according to U.S. Census Bureau data compiled by Miami-based trade analyst WorldCity.

The district, which includes all sea ports and airports in Houston, Galveston and

Freeport, kept the No. 4 spot in the nation based on the combined value of imports and exports.

"Obviously the energy industry is driving a lot of that growth, but it also has a lot to do with our local infrastructure," said Duaine Priestly, director of the U.S. Department of Commerce's Houston Export Assistance Center. He says companies in Houston are "just incredibly innovative."

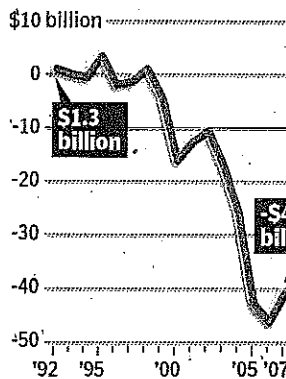
More imports

Imports through the Houston district increased 8.6 percent, to \$113 billion from \$104.1 billion

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DEFICIT GROWS ...

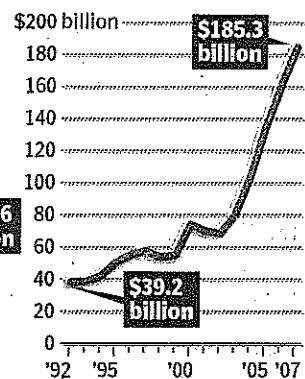
Houston-area trade surplus/deficit, 1992-2007:



Source: WorldCity

... AS TRADE SOARS

Total Houston-area trade, 1992-2007:



JAY CARR : CHRONICLE

FOREIGN: Saudis improve rank as trade partner in area

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Though imports are up, some say business could be better, because a weaker dollar means it takes more of them to buy foreign goods.

"Things are becoming a little difficult because the dollar is dropping and inflation is going up in India and China," said Jugal Malani, who imports 60 percent of his goods from China and the rest from India, Indonesia and other Asian countries. "We can't pass all of that on to our customers."

Still, his company, Sugar Land-based Unique Industrial Product Co., saw sales top \$50 million last year.

"People want to reduce their costs, and they have done whatever they can domestically. So if they want to reduce more, the only way is to outsource the product," said Malani, who imports engineered parts from Asia. "We go overseas and make it cheaper."

The oil factor

Much of the growth in imports in the Houston area was boosted by oil prices, since most of the trade with eight of the area's top trade partners involves oil.

This week crude oil prices closed past the \$100 mark for the first time.

"Since trade is measured in dollars, total value of trade increases when the price of oil increases," Adam Gibson, the Greater Houston Partnership's vice president of international business, said.

Rising oil prices and increasing capacity helped Saudi Arabia climb five spots to become the area's fifth-largest trade partner, up from 10th in 2006.

It also helped Nigeria become the third nation to ever have more than \$10 billion in trade through the Houston customs district, after Mexico and Venezuela.

Because the Houston area imports crude oil for refining, its trade deficit is not surprising to experts.

"About one in \$5 to \$6 of oil that comes into the United States come in through Houston," said Ken Roberts, publisher of WorldCity.

However, the deficit narrowed last year to \$40.6 billion, down 11 percent from the prior year, helped in part by free trade agreements

TOP 10 HOUSTON-AREA IMPORTS IN 2007

Import	Amount
Crude oil	\$57,150,466,114
Oil, not crude	\$11,270,514,847
Seamless iron tubes and pipes	\$2,539,668,988
Motor vehicles for transporting people	\$1,509,743,475
Cyclic hydrocarbons	\$1,473,981,769
Machinery parts	\$1,317,852,125
Petroleum gases, other gaseous hydrocarbons	\$1,193,158,319
Acyclic alcohols	\$1,078,323,974
Iron and steel pipes and tubing	\$1,005,725,917
Electric equipment for line telephony	\$973,815,308
Total, all imports	\$112,989,564,278

TOP 10 HOUSTON-AREA EXPORTS IN 2007

Export	Amount
Oil, not crude	\$9,442,641,962
Machinery parts	\$7,286,689,872
Cyclic hydrocarbons	\$3,581,280,592
Polymers of ethylene	\$2,396,831,946
Wheat, meslin	\$1,818,595,675
Electric equipment for line telephony	\$1,521,072,956
Ethers, ether-alcohols, alcohol peroxides etc.	\$1,508,383,995
Acrylonitrile, related compounds	\$1,308,019,357
Acetic acids, vinyl acetates, etc.	\$1,164,558,470
Acyclic alcohols	\$1,154,986,582
Total exports	\$72,344,182,817

TOP 10 TRADING PARTNERS IN 2007

Country	Amount
Mexico	\$17,880,925,700
Venezuela	\$17,097,597,222
Nigeria	\$10,231,841,946
China	\$9,857,235,811
Saudi Arabia	\$8,200,438,665
Brazil	\$7,181,340,696
Germany	\$7,042,487,938
Netherlands	\$6,986,084,900
United Kingdom	\$6,647,213,250
Algeria	\$5,583,844,034
Total trade	\$185,333,747,095

Source: WorldCity

with Mexico, Canada and Central America, experts said.

That tracks the national trade deficit, which fell to \$790.9 billion in 2007 from \$817.3 billion.

Cheaper U.S. goods

Though the weakening dollar pinched importers, it helped boost exports.

A weaker dollar makes American goods cheaper for other countries, including Mexico, which retained its position as the area's largest trade partner in dollar value.

Exports from the Houston area shot up 24.5 percent, to \$72.3 billion in 2007, from \$58.1 billion in 2006.

However, Gibson noted that trade has been on the rise before the dollar started to weaken, something he credits to globalization.

Aside from oil products, other top items exported through the Houston district include machinery parts and chemicals.

More firms from abroad

Not only is the weakening dollar helping exports, it's also attracting foreign companies to set up shop here, Priestly said.

"It's more economical and cheaper for them to build things here rather than Europe," he said.

"They're also aligning themselves in the energy industry to service the entire Western Hemisphere."

He said the center is in talks with chemical companies in Chile and energy-related companies from Europe considering opening offices here.