

Increase U.S. Competitiveness in Trade with China

POLICY FACTSHEET

Why it matters to WASHINGTON

China is Washington's largest trade partner, with a total of \$19.5 billion in Washington goods exported to China and \$10.4 billion in Chinese goods imported in 2015.¹ In fact, more than 22% of Washington goods exports were destined for China, and almost 21% of Washington imports came from China.¹ In addition, billions of dollars of services exports are delivered in China by Washington firms, ranging from software companies to professional services firms like law and architecture. Washington companies rely on trade with China to expand their customer bases and, as a result, support local jobs. Many Washington retail, apparel and manufacturing companies leverage China as part of their global supply chain, and Washington port employees, as well as others involved in logistics and freight support, are reliant on our trade connections with China.



FUN FACT: Washington exports to China have increased 1300% from 2004 to 2015¹



Starbucks Coffee store in China



POLICY RECOMMENDATIONS

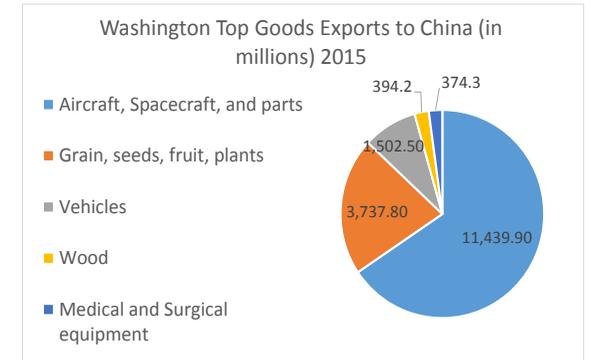
1. Finalize negotiations on a Bilateral Investment Treaty (BIT) - The U.S. and China have been negotiating a BIT since 2008 that would open China's economy further to U.S. investment and eliminate market barriers, covering almost all stages of investment and sectors, except those explicitly excluded. This unprecedented investment treaty between the world's largest economies would open considerable opportunities to American businesses and would be a win-win for both countries and the global economy.

2. Improve intellectual property rights (IPR) protection - IPR protection and enforcement in China remain a serious challenge for U.S. companies. China has been on USTR's Priority Watch List for the last 12 years due to retail counterfeit, copyright piracy, software piracy and a host of other IPR concerns, and has been subject to 306 monitoring or on Watch List status for the 16 years before that.² IPR laws are in place but must be enforced more assertively. Experts estimate that decreasing China's software piracy rate by 50% could increase legal software sales by \$4 billion.² Enforcing and auditing IPR in China is important for all Washington companies, from Microsoft and other businesses who depend on sales from licensing, to manufacturers and retailers with innovative products.

3. Increase Chinese foreign direct investment (FDI) in Washington - FDI in Washington creates jobs and strengthens our bilateral trade relationships. With the rapid growth of the Chinese economy, many Chinese firms are looking to invest and grow their operations in the U.S. To attract more Chinese FDI, Washington needs a business climate that promotes inward-bound investment and a program that engages directly with individual companies and investors. Despite having one of the largest trade relationships with China of all U.S. states, Washington gets far less FDI from China than it should.

4. Increase pressure for China to stop cyber commercial theft - U.S. companies lose \$300 billion a year in stolen intellectual property and lost sales due to Chinese cyber espionage, undermining their ability to compete on a fair and level playing field.³ In order to continue strengthening U.S.-China trade relations, China must commit to cracking down on these practices. Both countries should work to develop clear rules of the road for operating in cyber space.

5. Ensure enforcement of current trade policies - China is a fellow WTO member and is party to several WTO trade agreements such as the Information Technology Agreement. However, China is often lax on enforcement of trade policies that are put in place to ensure a fair and level playing field. If these policy tools are not enforced, they mean nothing. Before we move forward with additional trade agreements, we must make sure China is enforcing existing rules.



Brown & Haley Almond Roca in a Chinese grocery store

¹ WISER Trade, 2016 | ² USTR, "U.S.-China Economic Issues," January 2011 | ³ Harris, Shane, "Exclusive: Inside the FBI's Fight Against Chinese Cyber-Espionage," Foreign Policy, May 27, 2014

INDUSTRY IMPACT



AEROSPACE

In 2015, Washington's top export to China was aircraft and parts, with 11.4 billion in exports.¹ The Boeing Company projects that China will need 5,580 new planes through 2032, totaling \$780 billion and making China Boeing's largest commercial airplane buyer.⁴ China is also an important tie to Boeing's global supply chain; China manufactures many airplane parts for Boeing, which are then imported to Washington. Examples of Washington companies involved in trade with China: GM Nameplate, Toray Composites.



AGRICULTURE

China is one of Washington's top five agricultural export markets, with \$702 million in Washington-produced agriculture exports.¹ Washington agriculture exports to China increased by 35% from 2012 to 2013.¹ Popular Washington products in China include wine, apples, cherries, hay, hops, and many others.⁵ Examples of Washington companies involved in trade with China: Commercial Creamery Co., Anderson Hay & Grain Co., Inc, Nisbet Oyster Co., NW Cherries.



FORESTRY

Forestry products are the fifth largest Washington export product to China. Washington exported more than \$394 million in wood, wood products and wood pulp to China in 2015. In 2012, approximately 4,114 jobs were supported by this industry's exports.⁶ Washington needs to continue to grow this trade relationship, as British Columbia is taking advantage of the same Chinese market and setting new benchmarks. Examples of Washington companies involved in trade with China: Weyerhaeuser Co, Cutco Inc, Longview Timber.



INFORMATION TECHNOLOGY

China is important in terms of both imports and exports for Washington's IT industry. However, IT exports from Washington to China, such as software, face the risk of piracy due to weak intellectual property rights. Enforced IPR protections are needed to increase competitiveness of Washington businesses in China. Examples of Washington companies involved in trade with China: Microsoft Corporation, Big Fish Games, Enprecis.



INTERNATIONAL VISITORS

As the Chinese middle class grows, more Chinese visitors have added Washington to their list of travel destinations. From 2014-2015, Seattle saw an increase in Chinese tourism of 28%.⁸ Chinese students also play a role in growing Washington's economy by paying tuition and paying living costs; Chinese students are the largest population of foreign students studying in Washington at 33.5 %.⁹



RETAIL

Washington imported \$958 million worth of apparel and \$571 million in footwear from China in 2015.¹ These imports allow our retailers to maintain their global competitiveness, creating jobs in design, sales, marketing, and logistics here at home. Many Washington retailers also have successful stores in China. For example, Starbucks has 2,100 stores in China and is continuing to grow at an accelerated rate.⁷ Examples of Washington companies involved in trade with China: REI, Nordstrom, Costco.

4 The Boeing Company, "Current Market Outlook," June 2014 | 5 WSDA, International Marketing Program Annual Report, "China," 2011 | 6 U.S. Dept. of Commerce, "Trade Supports Jobs-WA," 2013 | 7 Starbucks "Starbucks in China" 2016 | 8 Visit Seattle 2015 Annual Report | 9 Institute of International Education, "Open Doors Washington Factsheet," 2015

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INCREASE U.S. COMPETITIVENESS IN TRADE WITH CHINA



POLICY FACTSHEET

Background

U.S.-China relations are more important than ever as our economies become increasingly interdependent. China is our nation's largest goods trading partner with \$598 billion in total two way goods trade during 2015. In fact, Washington exports to China grew almost 1300 percent from 2004 to 2015. However, significant challenges remain for US companies operating in and selling to China, from intellectual property protection to basic market access. Improving our trade relationship requires productive engagement aimed at making it just as easy for U.S. businesses to succeed in China as it is for Chinese businesses to do business here. To do this, we must:

- Finalize negotiations on a Bilateral Investment Treaty (BIT)
- Improve Intellectual Property Rights (IPR) Protection
- Increase Chinese foreign direct investment (FDI) in Washington
- Increase pressure for China to stop cyber commercial theft
- Ensure Enforcement of Current Trade Policies