



# ADVANCE WASHINGTON'S TRADE PRIORITIES ON CHINA

## Policy Factsheet

### Why it Matters to Washington

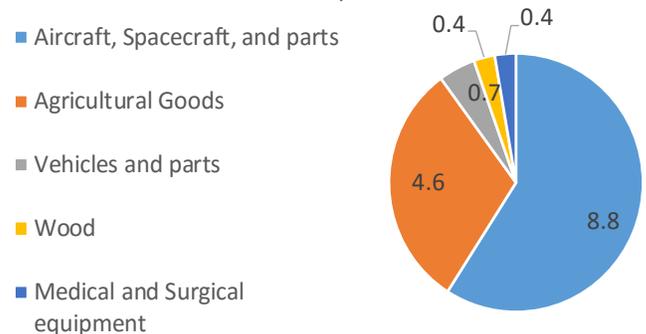
China is Washington state's largest trade partner, with \$16.5 billion in Washington goods exported to China and \$11.6 billion in Chinese goods imported in 2016.<sup>1</sup> In fact, more than 20% of Washington goods exports go to China, and our exports to China have increased 300% from 2005 to 2016.<sup>1</sup> In addition, Washington sells over \$1 billion of services, such as software, to China. Many local retail and manufacturing companies leverage China as part of their global supply chain, and Washington port, freight and logistics employees are reliant on trade with China.

However, significant challenges remain. With so many of Washington's jobs depending on strong trade with China, we must address these challenges while strengthening our trade relationship. We look forward to working with the new administration through the U.S.–China Comprehensive Dialogue created by President Trump and President Xi earlier this year. The Dialogue includes four areas: the Diplomatic and Security Dialogue, the Comprehensive Economic Dialogue; the Law Enforcement and Cybersecurity Dialogue and the Social and Cultural Issues Dialogue. Engaging in bilateral dialogues with our Chinese partners is essential.

As part of the Comprehensive Economic Dialogue, the administration has announced a 100 Day Plan to identify ways to strengthen our trade relationship. We look forward to the results due on July 16 and the broader strategic vision for US–China relations, including strengthening enforcement of existing commitments and addressing 21st century issues like the digital agenda.



Washington Top Goods Exports to China (in billions) 2016<sup>1</sup>



### Industry Impact

#### Aerospace

In 2016, Washington's top export to China was aircraft and parts, with \$4.6 billion in exports. 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.<sup>2</sup>

#### Agriculture

China is one of Washington's top five agricultural export markets, with \$650 million in Washington-produced agriculture exports.<sup>1</sup> Popular Washington products in China include wine, cherries, and apples.

#### Tourism

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%.<sup>3</sup> 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%.<sup>4</sup>

#### Information Technology

Washington exported \$251 million in software to China in 2015.<sup>6</sup> As of 2014, China was the the 16th largest consumer of U.S. IT services, so there is immense potential for growth.

#### Retail

Washington imported \$1 billion of apparel and \$1 billion in footwear from China in 2016.<sup>1</sup> 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.



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### Policy Concerns with China

#### Market Access Barriers for U.S. Goods and Services

Numerous barriers prevent Washington state exporters from having a level playing field in China, including discriminatory and unpredictable regulations that appear to be put in place to restrict sale of U.S. products and services. In addition, there are Chinese industrial policies that favor Chinese companies and state-owned enterprises, requirements for localization of data or manufacturing, high tariffs and unfair countervailing duties. WCIT recommends addressing these concerns through the WTO and bilateral dialogue between the U.S. and China that results in enforceable outcomes.

#### Lax enforcement of current trade policies

China joined the WTO in 2001, and during its accession, China adopted an important baseline of legal commitments on rules and market access. WCIT expects that the Dialogues established by the administration will enable stronger enforcement of these commitments, those adopted since, and new obligations to be undertaken that address policy challenges.

#### Significant digital trade barriers and cyber theft

Challenges remain in a variety of areas – from market access to a lack of attention to existing commitments on rules. Cyber theft of trade secrets, software piracy, data localization requirements and blockages on cross-border data flows, restrictions on the Internet and legitimate websites (often called the Great Firewall), and restrictions on cloud computing services are just a few examples of digital trade barriers in China. Current and pending rules, some under the guise of national security, will effectively erect trade barriers that bar participation in the market and affect companies across industry sectors that rely on IT goods and services to conduct business.

#### Highly restrictive foreign investment rules

China protects its domestic industries through restrictions on foreign investment across a range of sectors. In fact, the OECD ranked China's investment policies as five times more restrictive than the average of the G20 and OECD countries surveyed.<sup>5</sup> In addition to restricting foreign investments, its approval process is opaque and unpredictable, with Chinese officials sometimes conditioning investment approval on transfer of technology. The United States is much more open to foreign investment by Chinese firms in the U.S. than China is for U.S. investment in China, and we must address this imbalance that limits U.S. trade growth with China.

#### Intellectual property rights infringements

IPR protection remains a serious challenge for U.S. companies in China. China has been on the USTR's Priority Watch list for almost two decades due to retail, manufacturing and pharmaceutical counterfeit, copyright and a host of other issues. Enforcing IPR more aggressively is critical for many Washington industries, from technology and manufacturing to agriculture.

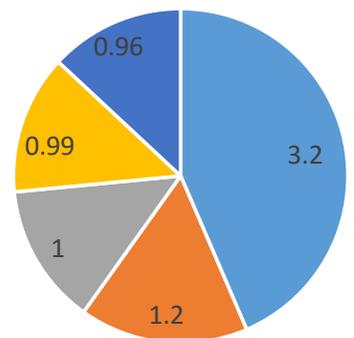
### Asia-Pacific Trade

As the U.S. government focuses inward, China is taking an aggressive posture on trade, including pursuing trade agreements in the Asia-Pacific region that exclude the U.S. with some of the world's fastest growing economies. The U.S. is on the outside looking in as these trade agreements move forward.



Washington Top Goods Imports from China (in billions) 2016<sup>1</sup>

- Electric Machinery
- Toys, Sporting Goods, etc.
- Industrial Machinery
- Footwear
- Apparel



### Quick Citations

1 WISER Trade, 2016 | 2 The Boeing Company, "Current Market Outlook," June 2014 | 3 Visit Seattle, Annual Report, 2015 | 4 Institute of International Education, "Open Doors Washington Factsheet," 2015 | 5 FDI Restrictiveness Index, 2017 | 6 Washington Department of Commerce and Washington Military Alliance, "Export Market Research," 2016