



2012 Policy Priorities

I. Encourage Successful Negotiation of the Trans-Pacific Partnership Regional Trade Agreement

What Is It? Trans-Pacific Partnership (TPP) is an Asia-Pacific regional trade agreement currently being negotiated among the United States and eight other partners: Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, and Vietnam. The Asia-Pacific region is the largest market in the world for U.S. exports and receives two-thirds of U.S. agricultural exports. While the current proposed TPP would only encompass nine of the Asia-Pacific region countries, one of the potential benefits of this negotiating effort is that it would serve as a framework into which other Asia-Pacific countries might eventually enter.

Why Does Washington Care? Washington would benefit significantly from an Asia-Pacific pact. In 2010, 69% of Washington exports went to Asia-Pacific countries. In addition, major retailers and other companies headquartered in our state source a significant portion of their global supply chain from the Asia-Pacific region, and a TPP agreement would make these imports more affordable. If other Asia-Pacific countries eventually enter TPP, it would further increase this agreement's value for our state's trade economy.

II. Complete Russia's WTO Accession, and Secure Congressional Approval of PNTR with Russia

What Is It? Russia is the world's 11th largest market with a large middle class consumer base. Yet, it is only the United States' 31st largest export trading partner. One of the most direct ways to significantly increase U.S. exports to Russia is to bring them into the World Trade Organization. Finalizing Russia's WTO bid and establishing a "permanent normal trade relations" (PNTR) status between the U.S. and Russia are important steps to taking advantage of this opportunity.

Why Does Washington Care? Washington is one of the top 5 states in the country in terms of exports to Russia, which makes Russia WTO accession a particularly significant opportunity for our state. In fact, Russia is one of our state's fastest growing markets. In 2011, Washington's exports to Russia grew 80% over the previous year's total, while the state's exports to the world increased by only 21%. Lower tariffs, increased protections and expanded market access would add to this momentum; for example, airplane tariffs will be cut in half under this agreement.

III. Reauthorize – at a Higher Lending Limit – the Export-Import Bank of the United States

What Is It? The Export-Import Bank of the U.S (Ex-Im Bank) is a credit agency assisting companies, large and small, to export goods and services to international markets. In the 5 years since Congress last reauthorized the Bank's operations, it has returned about \$3.4 billion to the U.S. Treasury, above and beyond the cost of its operations. Congress has extended Ex-Im Bank's operations through May 31, 2012 – with no increase in the Bank's spending cap. Long-term reauthorization at increased lending authority is key to efforts to grow our economy through international trade.

Why Does Washington Care? Dozens of Washington companies depend on Ex-Im Bank financing to export to new markets. The majority of companies supported are small businesses, and export to top destinations such as Turkey, Ireland, and Ethiopia. In 2011, Ex-Im Bank lent approximately \$7 billion to 74 WA companies, including 52 small businesses. In return, more than \$16 billion of export sales were made.

IV. Address the Harbor Maintenance Tax "Land Border Loophole"

What Is It? The Harbor Maintenance Tax (HMT) is a federal tax imposed on shippers based on the value of the goods being shipped through ports. The tax is intended to be used for maintenance dredging of federal navigational channels. HMT's "land border loophole" refers to the fact that – while the tax is assessed on ocean-going international imports that land at U.S. ports – it is not assessed on importers who route cargo through non-U.S. ports (such as Canada and Mexico) that then move their cargo into U.S. markets by land.

Why Does Washington Care? At least 70% of the cargo coming into the Ports of Seattle and Tacoma is discretionary, meaning that importers are free to move their goods elsewhere. The "land border loophole" makes it cheaper for

international importers to divert cargo to non-U.S. ports to avoid the HMT in Washington – costing revenue and jobs for our state, and impacting exporters who rely on access to the containers that healthy import traffic provides.

V. Support a Reasonable Approach to Increased U.S. Competitiveness in Trade with China

What Is It? The U.S.-China trade relationship is increasingly important, driven by factors as diverse as China's growing middle class and the economic instability in Europe. Both countries are committed to an increasingly successful and productive relationship, yet significant room for progress remains – from disagreements over currency valuation to improved intellectual property rights protections. Rather than supporting efforts to "punish" China through means such as retaliatory tariffs, the best way to achieve a sustainable, competitive U.S.-China trade relationship is through a mixture of enforcement of existing rules along with productive engagement toward mutually beneficial changes.

Why Does Washington Care? China is Washington state's top trading partner, and the destination of over 17% of Washington's exports in 2011. These figures don't even capture the full economic impact of the global supply chain relationships that many of our state's manufacturers and retailers have developed in China, nor the new Chinese joint ventures being developed by a diverse mix of Washington goods and services firms. Plus, much of the imports from China flow through our ports, providing jobs not only at our airports and seaports but also in freight support service businesses. Increasingly, Washington state's economy is dependent on a successful U.S.-China trade relationship, and it is essential that we support productive efforts to increase our competitiveness with China.

VI. Support Congressional Passage of the Affordable Footwear Act and the US OUTDOOR Act

What Is It? The Affordable Footwear Act (AFA) would eliminate shoe import tariffs on certain shoes, mostly lower- to moderately-priced and children's footwear. The United States Optimal Use of Trade to Develop Outerwear and Outdoor Recreation (US OUTDOOR) Act would eliminate the disproportionately high tariffs on "recreational performance outerwear." These tariffs were originally implemented to protect domestic industries that no longer exist, which means the only impact of these tariffs today is to make these products more expensive for U.S. consumers.

Why Does Washington Care? Washington is home to the headquarters of a significant number of retailers that import footwear and performance outerwear, such as REI, Amazon, Nordstrom, Brooks Sports and Eddie Bauer. The Affordable Footwear Act and the US OUTDOOR Act would save consumers money while improving profits for our retailers and for our apparel companies that do their manufacturing overseas. More sales for these companies means more jobs for our state's residents. In recognition of this fact, both Senator Patty Murray and Senator Maria Cantwell are co-sponsors of the AFA, and Representative Dave Reichert introduced the House version of the US OUTDOOR Act.

VII. Facilitate Increased International Visitors Through Travel Visa Reform

What Is It? The ability of international visitors to travel to the United States is a basic international trade issue. However, the current U.S. visa application process is a huge barrier to trade with some of the world's fastest growing markets, such as China, India and Brazil. A visa application can take as long as 145 days in Brazil and 120 days in China. As a result, the United States welcomed the same number of travelers in 2010 as it did in 2000. While homeland security is a legitimate reason for delaying some higher-risk travelers, the United States would have welcomed 78 million more visitors – generating \$606 billion in spending and 467,000 jobs – if our country had simply kept its historical share of world travel growth.

Why Does Washington Care? The Washington tourism industry, which already employs 143,800 people and generates \$1 billion in state and local tax revenues, would benefit significantly – due to its geographic location and existing relationships with Asia and South America – if it were easier for travelers from Brazil, India and China to visit here. These visa barriers also significantly impede the success of many other businesses in Washington; international customers have a difficult time traveling to our state to do business, and foreign employees of locally-based companies cannot visit their Washington offices without significant delays.

The Washington Council on International Trade (WCIT) and its members – farmers, manufacturers, retailers, service providers, non-profit organizations and individuals – are dedicated to growing our state's economy through public policies favorable to expanded opportunities in the global marketplace. For more information, visit www.wcit.org