2013 Policy Priorities

WCIT and its members – manufacturers, retailers, service providers, farmers & ranchers, non-profit organizations and individuals – support strong, pro-trade policies and investments that benefit Washington's small, medium and large employers and that create jobs for Washington residents. For 2013, WCIT will focus its advocacy on ten policies that have the potential to make an impact in the short-term, which are divided into three categories: 1) Major Trade Liberalization Efforts, 2) Changes in U.S. Policy that Increase Washington's International Competitiveness, and 3) Sector-Specific Initiatives.

I. Major Trade Liberalization Efforts

- **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 ten other partners: Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam, Canada and Mexico. The Asia-Pacific region is the largest market in the world for U.S. exports and receives two-thirds of U.S. agricultural exports. 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 a well-crafted Asia-Pacific pact. In 2010, 69% of Washington goods exports and a large percentage of our services exports went to Asia-Pacific countries. In addition, major retailers, apparel designers and other companies headquartered in our state source a significant portion of their global supply chain from the Asia-Pacific region; 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.

- **Negotiate a U.S.-EU Transatlantic Trade and Investment Partnership**

What Is It? The U.S.-European economic relationship is the world's largest with $4 trillion in trade, investment, and commercial sales. But steps like additional elimination of tariffs, services trade liberalization and the establishment of compatible regulatory regimes would allow the U.S. and the EU to produce even more of the growth and jobs which both economies need. Negotiations are set to begin in June 2013.

Why Does Washington Care? The European Union collectively accounted for nearly 14 percent of Washington's goods exports in 2011. Even more, of the 10 largest importers of Washington services exports, five are European; for example, European countries like the U.K., Germany and France — account for nearly a third of foreign visitors to Seattle. Perhaps most important, some of Washington companies most difficult trade policy disagreements – from agriculture and aerospace to IT and life sciences – are due to differences in the U.S.-EU regulatory environment. A U.S.-EU trade and investment agreement could address many of these issues, and maximize Washington business opportunities in Europe.

- **Negotiate a WTO Services Trade Agreement**

What Is It? The General Agreement on Trade in Services – the World Trade Organization (WTO) framework for services trade liberalization negotiations – entered into force in January 1995. However, barriers to trade in services remain, creating large unrealized gains from services trade; while services account for over 60% of global production and employment, they only represent 20% of total trade. Recently, momentum has emerged for a WTO services agreement among a limited number of interested countries, opening the door for progress through a plurilateral negotiation.

Why it matters to Washington state? In 2011, Washington state exported $23 billion in services, with "computer software and IT services" being the largest services sector ($13 billion in exports). Other leading services exports include professional services like legal, finance and accounting as well as international tourism, foreign student education and architecture. Services represent almost 43% of Washington's GDP, but less than 27% of total state exports, which means that there are significant opportunities to increase trade by Washington state service providers.

- **Support Increased U.S. Competitiveness in Trade with China and India**

What Is It? The U.S.-China trade relationship is increasingly important, yet significant room for progress remains – from disagreements over market access to improved intellectual property rights (IPR) protections. Similarly, India has huge potential as a U.S. trading partner, with the Indian economy's average GDP growth rate of 6.6% over the last decade; in fact, U.S. exports to India have increased over 400% in that time period despite significant restrictions on market access, IPR and foreign investment. To achieve sustainable, competitive U.S.-China and U.S.-India trade relationships, we need a mixture of enforcement of existing rules along with productive engagement toward mutually beneficial changes.

Why Does Washington Care? China is Washington's top trading partner, and the destination of over 17% of Washington's goods exports in 2011. These figures don't even capture services trade between the two countries, nor the impact of the global supply chain relationships that many of our state's manufacturers and retailers have developed in China. Meanwhile, many Washington goods and services are already entering into the Indian market – from airplanes and agriculture to IT and retail. While India was only 24th on the list of our state's top goods export destinations in 2011, there is huge potential for growth – if that market continues to open for us. Increasingly, Washington state's economy is dependent on a successful U.S.-China and U.S.-India trade relationship.

II. Changes in U.S. Policy that Increase Washington's International Competitiveness

- **Pass Trade Promotion Authority**

What Is It? Congress grants Trade Promotion Authority (TPA or "Fast Track") to the President to negotiate free trade agreements. Through TPA, Congress agrees to promptly vote on trade agreements negotiated by the President without amendment, enabling efficient passage of agreements that meet agreed-upon criteria. TPA expired in 2007, causing significant barriers to quick negotiation and passage of economically beneficial trade liberalization efforts.

Why Does Washington Care? Trade is the backbone of the Washington economy, with 40% of all jobs in our state tied to trade. As a result, increased trade liberalization benefits Washington significantly, helping our companies sell more goods and services abroad and lowering barriers for Washington retail or manufacturing companies that rely on global supply chains to provide high quality, low-cost goods. Without TPA, it's very likely that trade agreements which would benefit of local companies will stall in Congress due to proposed amendments and extended debate.

- **Increase State and Federal Investment in Freight Mobility**

What Is It? Maximizing our nation's freight mobility infrastructure is key to the United States' global competitiveness. The ability to move goods reliably and quickly allows consumers to get their products and businesses to take advantage of global supply chains. Unfortunately, freight bottlenecks and other forms of congestion already cost U.S. businesses about $200 billion a year – both because of the increased price to ship goods as well as transportation costs for raw materials and other inputs. Underinvestment by state and federal governments and the lack of a national freight policy are two key barriers to truly taking advantage of the global marketplace.

Why Does Washington Care? Freight mobility is particularly essential to Washington's international competitiveness. At least 70% of the freight coming in through the Ports of Seattle and Tacoma is bound for destinations in the rest of the United States, meaning that shippers only choose our ports if they believe that they can easily, reliably and quickly get their goods from here to places like Chicago. Similarly, Washington exporters and importers rely on the ability to get the products from suppliers and to customers; if Washington's freight mobility infrastructure doesn't allow this in a reliable and efficient manner, they will have to move their operations elsewhere.

- **Keep the Export-Import Bank of the United States Operating Effectively**

What Is It? The Export-Import (Ex-Im) Bank of the United States is the official export credit agency of the United States. Ex-Im Bank's mission is to support American jobs by helping to finance the export of U.S. goods and services. Ex-Im Bank is a self-sustaining agency that operates at no net cost to U.S. taxpayers, supported by fees and interest payments for the loans, credit insurance and loan guarantees it offers. Ex-Im Bank's charter was renewed last year through September 2014, but the Bank needs strong support from the business community to ensure its continued smooth functioning through a year of new requirements and emerging challenges.

Why Does Washington Care? Dozens of Washington companies depend on Ex-Im Bank financing to support their exports. In FY2012 alone, Ex-Im financing supported nearly $24 billion in Washington exports. By Ex-Im Bank's calculation, this means that approximately 154,000 Washington jobs were directly supported by Ex-Im Bank last year. Any reduction or interruption in Ex-Im support for Washington exports could put those jobs at risk.

III. Sector-Specific Initiatives

- **Support Efforts to Reduce Tariffs on Footwear and Performance Outerwear**

What Is It? Congress should consider legislation – like last year's Affordable Footwear Act (AFA) and United States Optimal Use of Trade to Develop Outerwear and Outdoor Recreation (US OUTDOOR) Act – that would eliminate import tariffs on certain shoes, mostly lower- to moderately-priced and children's footwear, as well as the disproportionately high tariffs on "recreational performance outerwear." These tariffs were originally implemented to protect domestic industries that no longer exist, which means their only impact 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. Legislation like 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 high-skill jobs – like research, design and merchandising – for our state's residents, which is why Senator Patty Murray and Senator Maria Cantwell were co-sponsors of the AFA, and why Representative Dave Reichert introduced the House version of the US OUTDOOR Act.

- **Facilitate Increased International Visitors Through Travel Visa Reform**

What Is It? The current U.S. visa application process is a huge barrier to trade with some of the world's fastest growing markets. 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, we would have welcomed 78 million more visitors – generating $606 billion in spending and 467,000 jobs – if we had simply kept our historical share of world travel growth.

Why Does Washington Care? International tourism accounted for close to $4 billion in Washington services exports in 2010, and the Washington tourism industry – which already employs 143,800 people and generates $1 billion in state and local tax revenues – would benefit significantly if it were easier for travelers from places like 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.

- **Reform the Harbor Maintenance Tax**

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, then ostensibly used for maintenance dredging of federal navigational channels. Unfortunately, there are several issues with how the HMT is collected and spent. First, although the HMT has annual revenue of more than $1.4 billion, annual expenditures have averaged less than $800 million, with surplus dollars often used for other purposes while channels go inadequately maintained. Second, according to the Federal Maritime Commission's 2012 inquiry, the HMT has a diversionary impact due to the fact that the tax 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, incentivizing shippers to bypass U.S. ports.

Why Does Washington Care? Improvements to the HMT would significantly benefit Washington's competitiveness. First, for the many Washington ports that rely on HMT funds to maintain essential navigation channels, the lack of full use of funds for their intended purpose takes vital revenues away from important infrastructure projects. Even more troubling for Washington ports is that our state does not see as much HMT investment as we would like; although many ports in Washington state benefit from HMT investments, a majority of HMT revenue goes to East Coast and Gulf Coast ports, which are increasingly our competitors. Finally, the diversionary impact of HMT makes it cheaper for international importers to divert cargo to non-U.S. ports such as British Columbia 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.

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