



# The Pacific Northwest Global Trade Hub

## Trade Impacts in Washington and Oregon

November 2021



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## Executive Summary

By leveraging natural geographic advantages, an international posture and a cutting-edge, diversified economy, the Pacific Northwest has become a leading player in global trade. Jobs and economic growth in both Oregon and Washington are highly dependent on the goods and services, foreign direct investment, imports, and exports that constitute international trade.

Often seen exclusively as a “gateway to Asia,” exports from the region reach markets throughout the world, bolstering the Pacific Northwest’s position as a global trade hub.<sup>1,2</sup> The clear benefits international engagement has on both states suggests that more could be done to partner on emerging trade issues in a way that enables more opportunities for the region.

Increases in agricultural exports in recent years have driven a large share of trade growth in both states. The region also hosts robust manufacturing sectors that produce transportation equipment, heavy machinery, and electronics. Continuing to leverage shared infrastructure to strengthen exports, whether pass-through or home grown, can provide a growing source of high-paying jobs and increase the prominence of the Pacific Northwest as a manufacturing and agricultural export powerhouse on par with similarly composed states in the Midwest.<sup>3</sup>

The region’s ports – both airports and seaports – provide employment opportunities and crucial access to global markets. Given the extensive infrastructure that links both Oregon and Washington to each other and the rest of the country, approaching infrastructure investment through a joint perspective can help bolster trade growth and resilience.

As technology helps drive the economic recovery for businesses large and small in the United States, high-tech businesses in Washington and Oregon can make meaningful contributions to this recovery. Expanding digital trade opportunities can help spur growth in high-value industries and presents an opportunity for more extensive collaboration with trading partners. As the world continues to develop and hone its approach to digital trade, jurisdictions around the globe are considering the implementation of new barriers that threaten to stifle growth.

Stakeholders in both states would benefit from addressing these barriers. On this front, Washington and Oregon have extensive representation on key Congressional Committees that are focused on these digital issues. Stepped up cooperation on digital commerce can further help the significant impact that the region’s elected Representatives are making in this increasingly important area.

## Background/Purpose

The Pacific Northwest occupies an important role in the U.S. export industry and the economies of both Washington and Oregon are highly dependent on international trade. Comprising a global trade nexus for the Pacific Northwest and the rest of the country, Washington and Oregon share a complementary mix of industries, infrastructure, resources, and talent pools that constitute a substantial portion of their respective economies and drive high-paying job opportunities for residents.

### Washington & Oregon: Combined Export Profile (2018)

#### Top 5 Goods Export Categories



#### Top 5 Goods Export Destinations



Sources: United States Census Bureau (2018). USA Trade Online. Origin of Movements Dataset [Link](#)

Economic activity is increasingly regional and global. While the Pacific Northwest is often seen as a “gateway to Asia” – notably China, Japan, South Korea, India, and the emerging markets of Southeast Asia – exports from the region have a global footprint. In 2018, trade of goods and services with partners in Asia and beyond – including Canada, Mexico, the E.U. and the U.K. – in the Pacific Northwest generated over \$135B and supported around 1.5 million jobs.<sup>\*4.5.6</sup> The global importance of trade in Washington and Oregon suggests that more could be done to cooperate on trade issues of importance as the U.S. enters a period of economic recovery.

Pre-pandemic trade data demonstrates the importance of goods and services exports for the economies of both states and helps to give a sense of the ground that will need to be made up to keep the Pacific Northwest competitive on a global scale. Recent crises have had an uneven effect on the export of goods. Washington, with enormous export growth in areas such as aircraft and parts, saw a decrease in export growth, whereas Oregon remained more or less steady. The outsized potential of both states to drive growth in the services sector – especially technology, health care and information services – shows that trade can be an effective engine for the ongoing economic recovery.<sup>7.8</sup> Recognizing this shared potential, Washington and Oregon can address challenges and opportunities to their respective economies through greater cooperation on important trade issues. This enhanced cooperation can foster resilient trade partnerships and infrastructure that can benefit, not just the region, but the whole country as it attempts to make up lost ground stemming from recent trade disputes and the COVID-19 pandemic.

\* As of 2018, trade was estimated to generate ~1.5M net jobs in Washington and Oregon. While more recent data is unavailable, employment in these sectors has likely decreased due to interruptions from the COVID-19 pandemic.

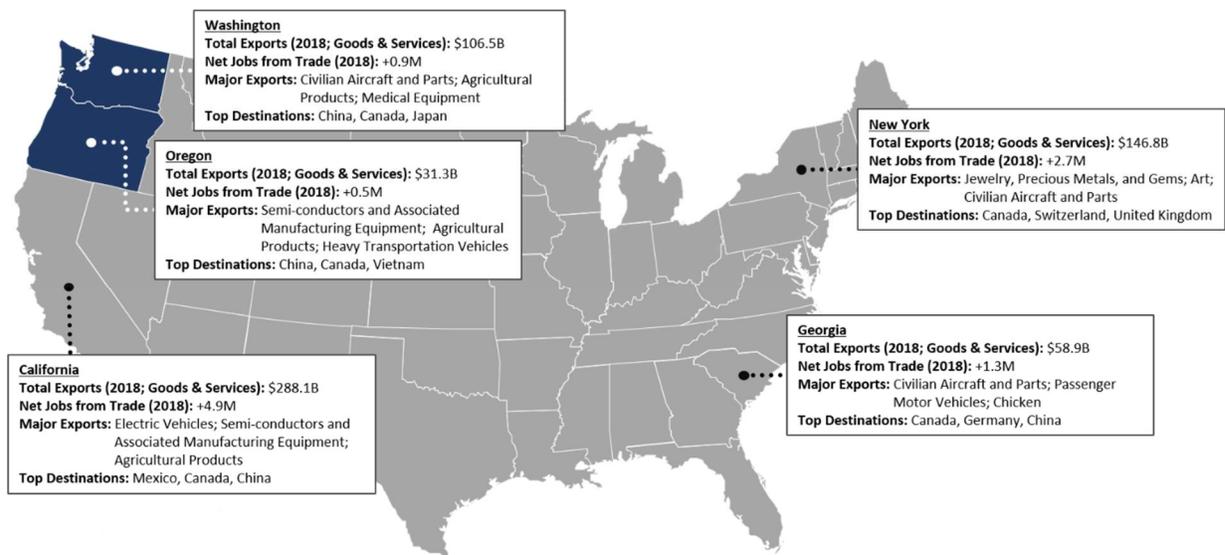
## Shared Industries and Resources: Strengthening Trade-Dependent Industries in Both States

The economies of Oregon and Washington are inextricably linked and heavily reliant on international trade. While recent trade tensions with China – one of the Pacific Northwest's most valuable trade partners – and the economic downturn from the COVID-19 pandemic have constrained trade growth in recent years, trade remains an integral part of these two state economies. Despite the recent decline, international trade typically comprises over 10% of GDP and supports hundreds of thousands of high-paying jobs in both states.<sup>9,10</sup>

Increases in agricultural exports in recent years have driven a large share of trade growth in both states. Producers of two crops in particular – soybeans and wheat/meslin – have found lucrative opportunities through access to the Chinese market. In addition to providing a customer for local agricultural products, Washington has become a key link between markets in the Midwest and Asia, with pass-through trade of these products accounting for over \$8.3B in total export value in 2019.<sup>11</sup> Farmers in Oregon can also benefit from growing trade links to new markets by leveraging the expansive shipping infrastructure of Washington state. The approval of the US-Mexico-Canada Agreement (USMCA) also offers opportunities to increase the value and prominence of agricultural and dairy exports from Washington and Oregon to trade partners in Canada and Mexico.

Furthermore, both states are heavily invested in manufacturing transportation equipment, heavy machinery, and electronics. Pre-pandemic, aircraft and aircraft parts were the highest value export from Washington. Oregon also enjoys a thriving manufacturing industry that directly benefits from international trade infrastructure in both states. In particular, a thriving, high-tech cluster of trade-dependent semiconductor manufacturers on both sides of the Washington-Oregon border provide an estimated \$11.4B in annual wage impact to both states and highlights the synergies enabled by shared export infrastructure.<sup>12,13</sup> Continuing to leverage this infrastructure

## The Pacific Northwest: Trade Can Help the Region's Economic Recovery



Sources: Trade Partnership Worldwide, LLC (2020). *The Impact of Trade on U.S. and State-Level Employment: 2020 Update*. [Link](#); United States Census Bureau (2018). *State Trade by Commodity and Country, Origin of Movements Exports*. CA, GA, NY, OR, and WA tables. [Link](#); Coalition of Services Industries (2020). *State and District Services Jobs and Export Numbers*. CA, GA, NY, OR, and WA State Reports. [Link](#)

to strengthen the manufacturing industries in both states can provide a growing source of high-paying jobs and increase the prominence of the Pacific Northwest as a manufacturing and agricultural export powerhouse on par with similarly composed states in the Midwest.<sup>14</sup>

Recovering from the economic shock of COVID-19 and recent trade disputes will require strengthening the complementary export-dependent industries of Oregon and Washington. According to worldwide consultants, The Trade Partnership, trade in 2018 supported over 40 million American jobs and strengthened both U.S. economic competitiveness and purchasing power for American families. Trade, in Washington and Oregon alone, supported almost 1.5M jobs. In 2021 and beyond, trade can support millions more American jobs, helping position the U.S. economy for a strong recovery and enhanced U.S. competitiveness. For Washington and Oregon in particular, trade can be an integral engine of economic recovery in the region.<sup>15</sup>

### **Complementary Development: Unlocking Resilient Growth Through Cooperation**

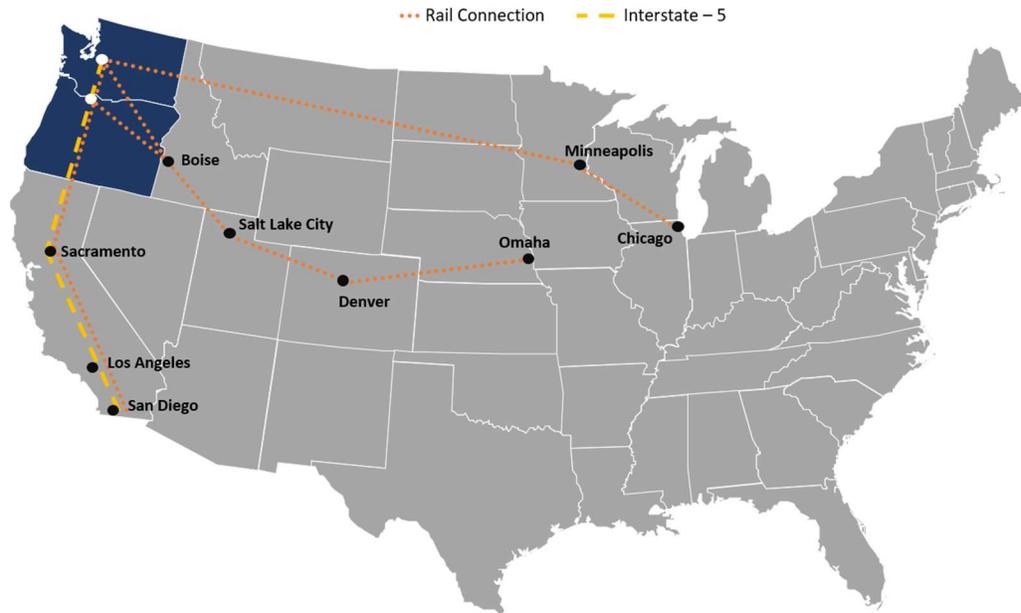
The Northwest Seaport Alliance – formed by combining the nearby ports of Seattle and Tacoma under a single port authority – is the 4<sup>th</sup> largest container gateway in the country and provides an illustrative example for how enhanced regional cooperation can strengthen trade presence on a global scale.<sup>16</sup> Other seaports and airports in the region – in particular, the Port of Portland, which includes Oregon’s only deep-draft container port and extensive air freight infrastructure, and other ports along the Columbia River in both states – could also benefit from similar complementary development with regional trade stakeholders.<sup>17,18</sup>

The extensive rail network in the Pacific Northwest directly connects seaports and airports in the region with quick, reliable trade links and can receive goods for export from markets as far reaching as Chicago, IL and Denver, CO in three days or less.<sup>19</sup> As a result, seaports and airports in the Pacific Northwest are already the primary connection to Asian and other world markets for a large swath of the country. Expanding regional cooperation can increase both the capacity and reliability of these crucial trade arteries in both directions. Adding to the capacity and reliability of the Pacific Northwest as a trade powerhouse is the presence of Interstate-5, which connects port facilities in both states and offers quick access to important USMCA trade partners – Canada and Mexico – as well as a direct link to California’s similarly trade-exposed economy.

#### ***Pacific Northwest Ports Offer Quick Access to Asian Markets for American Agriculture***

Ports in the Pacific Northwest are a critical link to international markets not just for farmers in the Pacific Northwest, but for the country as a whole. When combined, Columbia River ports in both states (Portland, OR, Kalama, Longview, and Vancouver, WA), and the Northwest Seaport Alliance (Seattle and Tacoma, WA), represent the second largest agricultural export port system in the nation, comprising almost 20% of total U.S. exports.<sup>18</sup> Additionally, the USDA recently approved the shipment of wheat from Washington and Oregon to Kenya.<sup>8</sup> Expanding global market access provides an opportunity for both states to develop a collaborative mindset towards increasing the value and mobility of agricultural exports. Additionally, extensive infrastructure linking ports in Washington and Oregon to the Upper Midwest mean that, for a wide swath of the country, expanding the capacity and reliability of trade links can provide efficient access to overseas markets for American farmers.

## Major U.S. Cities with Access to Pacific Northwest Ports in Less Than Three Days



Source: The Northwest Seaport Alliance (n.d.). Rail Service Links PNW to U.S. Midwest. [Link](#)

Given the extensive infrastructure that links both Washington to Oregon to each other and the rest of the country, approaching infrastructure investment with a joint vision and posture open to complementary development can help bolster trade growth and resilience in both states. Investing in these crucial trade arteries can help ensure that ports in Washington and Oregon can maintain reliable, efficient access to export markets and increase the profitability of export-intensive industries in both states.

### Boosting Worker Pay in Washington & Oregon

Increasing the footprint of trade-intensive industries offers substantial opportunity to residents of both states. In particular, workers with jobs tied to export-supported manufacturing industries in both states receive, on average, a trade earnings premium in excess of 10%. Multiple studies have found that expanding opportunities in these industries can result in higher wages for workers. Driving growth in these industries through expanded international trade and regional cooperation can also be a catalyst for creating high-paying job opportunities for residents of both states.<sup>20</sup>

### New Frontiers: Preserving Digital Trade Opportunities

Growth of the technology sector in Washington and Oregon is reliant on digital trade – digitally-enabled trade of goods and services that can either be digitally or physically delivered, e.g., e-commerce and data services. Digital trade is an increasingly important aspect of the economies of both states. Expanding digital trade opportunities can continue to generate growth in these high value industries and presents an opportunity for collaboration on a global stage. However, as the world continues to develop and hone its approach to digital trade, jurisdictions around the world are considering the implementation of structural, legal, and regulatory barriers to digital trade. These include restrictions on cross-border data flows, server localization requirements,

uneven liability regimes, forced technology transfer, and growing calls for new taxes on digital services pose an increasing challenge to the digital economy.

These barriers to digital trade present a challenge to the interests of Washington and Oregon that would best be addressed with a shared posture by world-leading businesses in both states. Fortunately, Washington and Oregon have extensive representation on key Congressional Committees that are focused on these emerging issues. Stepped up cooperation can only help the already important leadership roles that Washington and Oregon's elected Representatives are playing in this area.

## Policy Recommendations

To spur mutually beneficial development that aligns the international commercial interest of Oregon and Washington with the needs and opportunities of the global economy, we recommend the following policy actions:

- Remove tariff and non-tariff barriers to international trade by implementing smart trade policy actions that address problems created by the imposition of tariffs.
- Pursue effective implementation of existing agreements – particularly the new USMCA – given its importance to trade from key industries in both states like agriculture, dairy and digital.
- Forge new trade agreements to expand market access for goods and services from Washington and Oregon including moving forward with the U.S.-U.K. free trade agreement, which would benefit both states, and explore more opportunities for engagement in other markets, including with Japan.
- Invest in resilient infrastructure in the region, such as ports and freight mobility, to improve the reliability, efficiency, and competitiveness of local trade corridors.
- Ensure that the U.S. Export-Import Bank operates at full capacity to provide government-sponsored financing that helps businesses in Oregon and Washington maintain competitiveness in an increasingly global economy.
- Modernize free trade agreements to provide regulatory certainty.
- Address impediments to digital trade through new provisions and trade agreements freeing businesses in Washington and Oregon to pursue growth opportunities in this emerging area.

## Conclusion

The economies of Washington and Oregon share not only a similar reliance on international trade, but also many common industries, resources, and infrastructure. Notably, both state's economies are heavily dependent on exports of manufactured goods, agricultural products, and services to global markets. While recent trade tensions and the impact of COVID-19 on international trade have dampened growth in these sectors, expanding opportunities in export-intensive industries can generate high paying job opportunities for residents in both states. These opportunities can be bolstered even further by complementary development of local trade corridors. As calls grow for increased barriers to digital trade, engagement and cooperation will be necessary to maintain a level playing field for high-tech businesses in both states. With greater cooperation on priority trade areas and issues of importance, both states can work together to address challenges and opportunities to their respective economies in a way that can serve as a catalyst for regional and national growth.

## End Notes

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