



Department of Commerce

International Trade Update

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11/20/2019

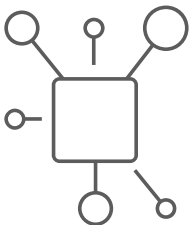




We strengthen communities



HOUSING / HOMELESSNESS



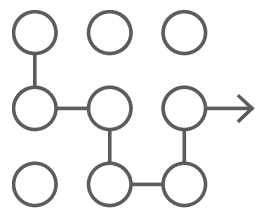
INFRASTRUCTURE



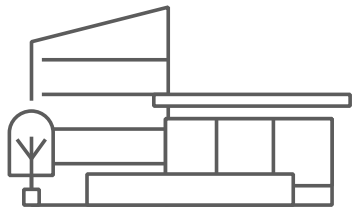
BUSINESS ASSISTANCE



ENERGY



PLANNING



COMMUNITY FACILITIES



CRIME VICTIMS / SAFETY



COMMUNITY SERVICE



Washington's Global Trade Position

- International trade and business remain vital to Washington's economy – with 1/3 jobs tied to trade.
 - >60 international projects in current Commerce pipeline

Washington's top five trade partners:

1. China
2. Canada
3. Japan
4. South Korea
5. United Kingdom



U.S. Trade Agreements

- Withdrew from the Transpacific Partnership Agreement (Jan/2017)
(Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam)
- Renegotiated the U.S - Korea FTA (Mar/2018)
- Renegotiated NAFTA, aka, USMCA (Oct/2018)(awaiting Congressional approval)
- First Stage of a U.S.- Japan Trade Agreement (Sept/2019)
- Phase 1 of U.S. China Trade Dispute Resolution ?



Recent U.S. Tariff Activity

Safeguard Tariffs on Imports from All Countries

- Washing machines (effective 2/7/18)
- Solar Panels (effective 2/7/18)

National Security Tariffs on Imports of Steel and Aluminum from All Countries

- 25% tariffs on imported steel and 10% tariffs on aluminum from all countries (effective 03/23/18)



U.S.– China Trade Dispute

US Tariffs on Chinese Imports	Chinese Tariffs on US Imports
3/23/18- 25% tariffs on steel and 10% tariffs on aluminum of Chinese imports worth \$2.8 B.	4/2/18 – tariffs on \$2.4 B in U.S. 2017 imports China.
7/6/18 – 25% tariff on \$34 B in Chinese imports based on Section 301 IPR investigation.	7/6/18 – tariffs on \$34 B of U.S. imports.
8/23/18 – 25% tariff on \$16 B of Chinese imports.	8/23/18 – tariffs on \$16 B of U.S. imports.
9/24/18- 10% tariff on \$200 B of Chinese imports.	9/24/18- 5% to 10% tariffs on \$60 B of U.S. imports.
5/10/19- Increase in tariff from 10% to 25% on the \$200 B of Chinese imports after negotiations fail.	6/1/19 - Increase in tariff on \$36 B of the \$60 B facing additional tariffs as of September 2018. Tariffs now range 5% to 25%.



U.S.– China Trade Dispute

U.S. Tariff on Chinese Imports	Chinese Tariffs on US Imports
<p>8/1/19– Announced 10% tariffs on \$300 B of Chinese imports but subsequently changed to a 10% tariff on \$112 B of Chinese imports on September 1, 2019 and on \$160 B of imports on December 15, 2019.</p>	<p>8/23/19– tariffs on \$75 B in US imports effective September 1 and December 15, 2019</p>
<p>8/23/19– Raises tariffs on the \$112 B of Chinese imports from 10% to 15% on September 1, 2019 and on the \$160 B of Chinese imports on December 15, 2019. Increases the tariffs on \$250 B of other Chinese imports from 25% to 30%.</p>	
<p>9/11/19– In response to the Chinese announcement on the same day, U.S. announces the delay in the increase of the tariffs from 25% to 30% on \$250 B of Chinese imports from October 1 to October 15, 2019. Tariff increase suspended on October 15, 2019.</p>	<p>9/11/19- China excludes 16 products worth roughly \$2 B from the tariffs imposed in 2018.</p>



U.S.– China Trade Dispute

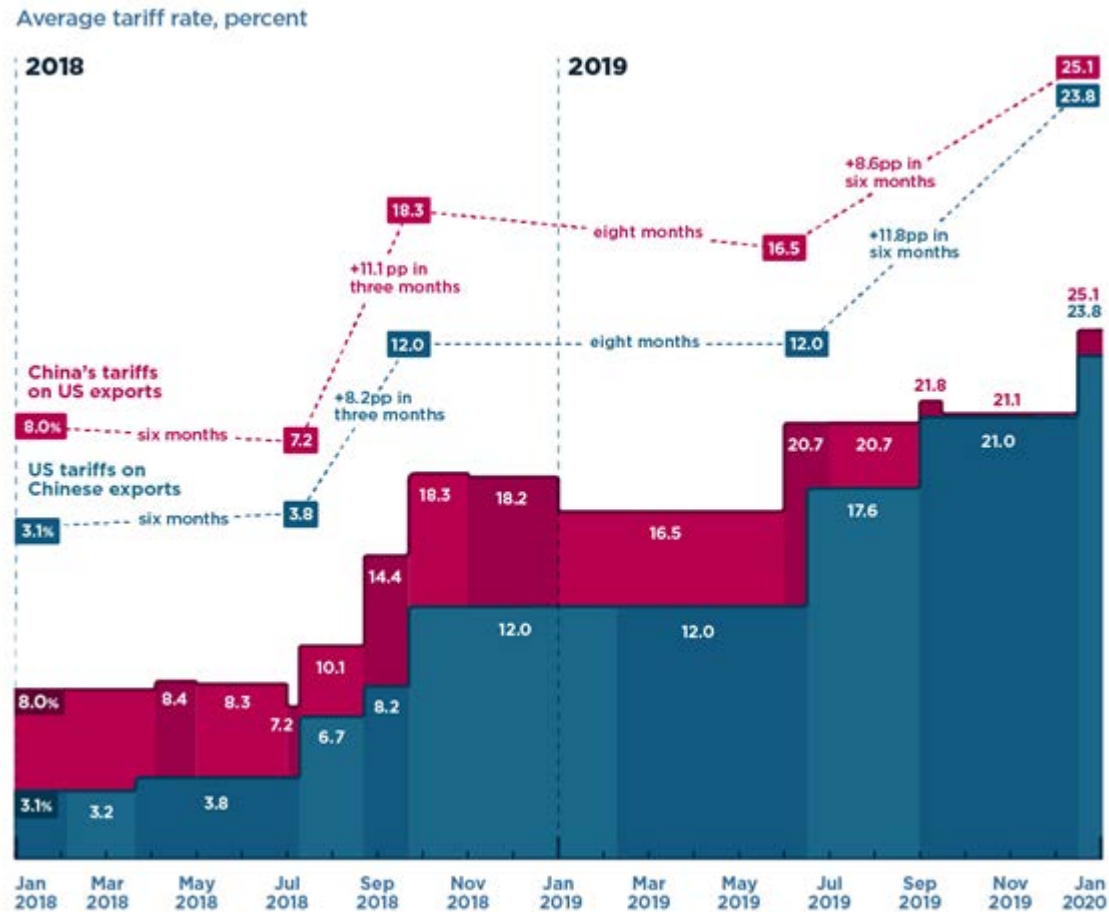
By Dec. 15, 2019

- U.S. will have placed additional tariffs on almost all imports from China .
- China will have retaliated against 69% of U.S. imports
- Meanwhile, China has reduce tariffs on imports from other countries.

Avg.Chinese Tariff	March2018	December 2019
U.S.	8%	25.9%
Other Countries	8%	6.7%



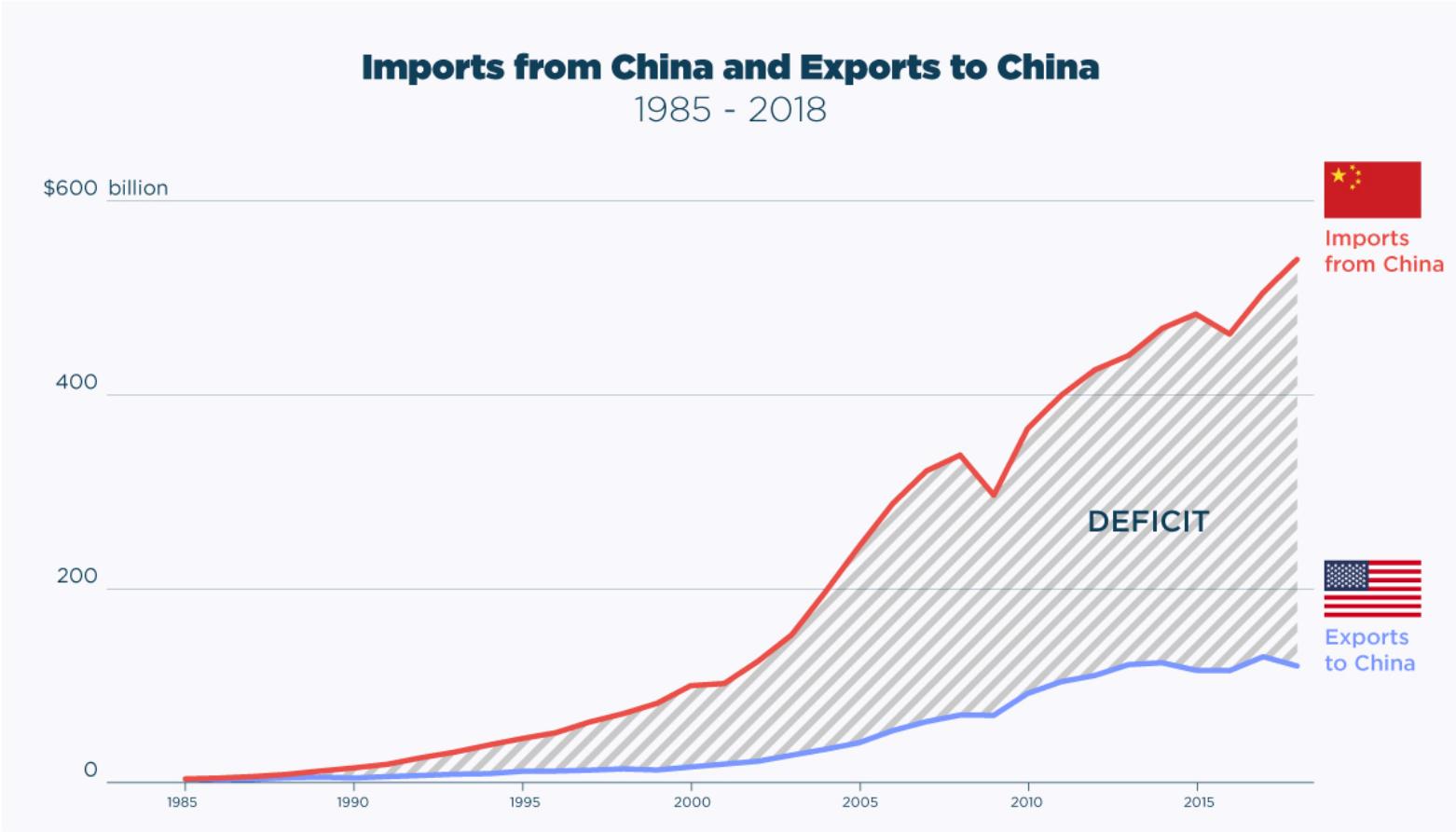
U.S.– China Trade Dispute



Source: Peterson Institute International Economics



U.S.– China Trade Dispute



Source: US Census Bureau

Source: U.S. Census Bureau



Trade Dispute Impact on Economy

- The Organization for Economic Cooperation and Development (OECD) estimated that the impact of 2019 U.S-China trade tensions would be to reduce Chinese GDP by a full percentage point, U.S. GDP by 0.7 points and world GDP by 0.6 points." The OECD also lowered its assessment of the global economy to the worst growth rate since the financial crisis.
- Institute for Supply Management Manufacturing Index: The ISM's U.S. manufacturing index fell to its lowest level since June 2009 - indicating reduced manufacturing activity - when the Great Recession ended. (October 2019)
- Chinese investment in the United State has declined by 88% since peak of 2016 to \$5.4 billion in 2018 from a peak of \$46.5 billion in 2016.



Trade Dispute Impact on Washington

Impact of U.S. Tariffs:

- Some Washington companies enjoy the benefit of increased U.S. tariffs, but most have voiced concern because of increased cost of inputs and/or prices for consumers.
- U.S. tariff increases will cost Washington households roughly \$2.4 billion per year.



Trade Dispute Impact on Washington

Foreign Retaliatory Tariffs (All Countries Including Steel and Aluminum)

- \$621 million decline or 18.76% in Washington exports facing retaliatory tariffs, as of end August 2019.
- \$413 million or 17.1% decline in Washington exports targeted by China, accounting for 67% of the total decline in targeted exports.
- Total targeted agricultural product exports declined by \$259.7 million or 23.97%.



Trade Dispute Impact on Washington

Significant Impacts on Washington Agricultural Exports

Sector	Decline in Exports (USD)	Decline in Exports %
Seafood(Not Processed)	-67,734,807	-32.36%
Fruit	-49,771,067	-16.21%
Cereals(Wheat)	-40,365,268	-94.17%
Hay	-25,385,285	-22.72%
Preparations of Fruit and Vegetable\$E.g.; French Fries)	-20,459,601	-14.88%
DairyProducts	-11,334,433	-75.12%



Trade Dispute Impact on Washington

Significant Impacts on Non-Agricultural Commodities

Sector	Decline in Exports (USD)	% Decline in Exports
Iron and Steel (Primary Products)	-146,782,775	-83.91%
Mineral Fuels and Mineral Oils	-53,035,561	-70.78%
Wood Pulp & Waste and Scrap Paper	-27,850,957	-15.04%
Paper and Paperboard	-25,531,228	-20.33%
Aluminum and Articles Thereof	-27,406,552	-9.54%



Trade Dispute Impact on Washington

Significant Impacts on Manufactured Products

Sector	Decline in Exports (USD)	Decline in Exports %
Optical, Photographic, Precision and Medical Instruments	-66,806,043	-12.91%
Electrical Machinery and Equipment	-34,789,511	-23.27%
Ships and Boats	-28,221,989	-51.71%
Miscellaneous Chemical Products	-27,343,458	-52.60%



Impact on Washington Agriculture

- State has nearly 36,000 farms.
- Of the \$14B in federal aid for farmers so far, \$50.7M was distributed to Washington farms (about \$6,700/farm).
- Nearly half of all Washington aid went to cherry growers, followed by wheat, dairy and corn.
- Agriculture exports to China are down, but some new markets have emerged to keep total agriculture exports relatively stable.



Impact on Washington Businesses

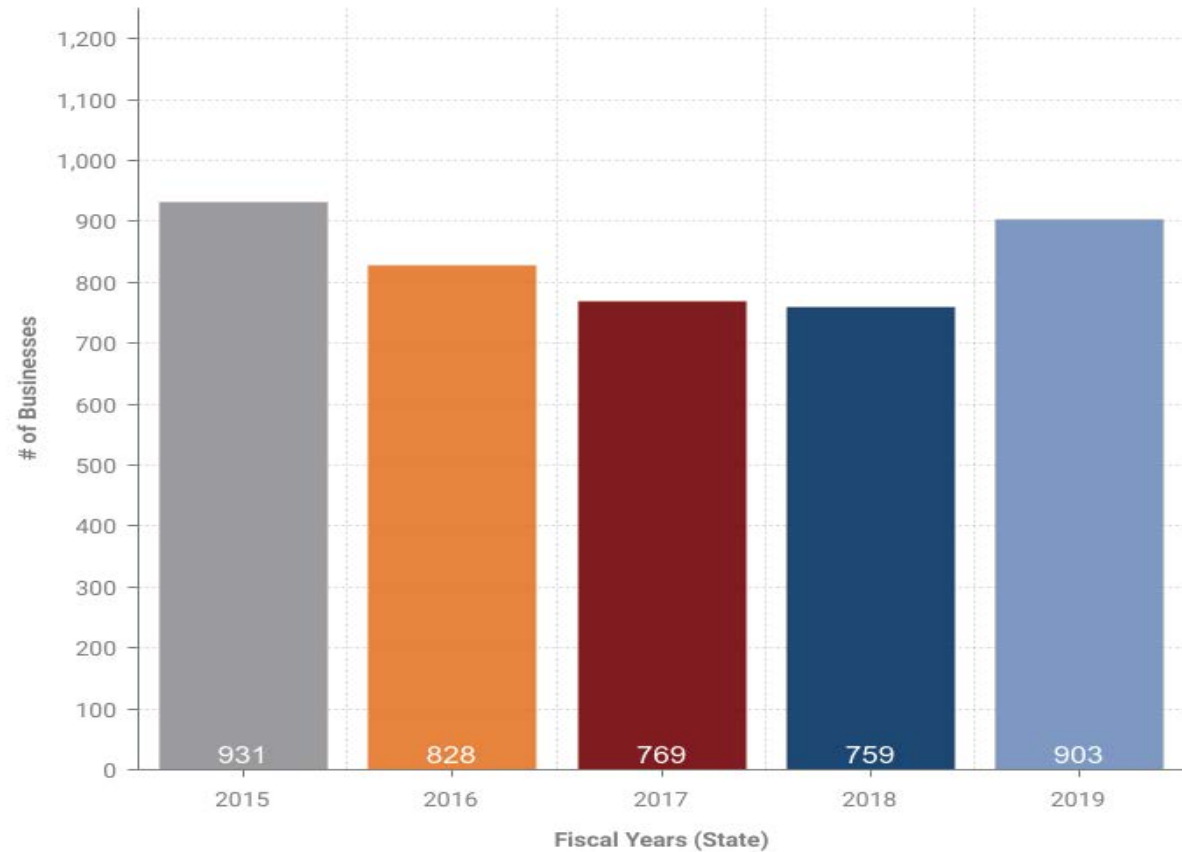
- International firms are delaying or cancelling investments in Washington due to trade war or uncertainty in U.S. market.
- \$10M contract for Chinese import of Washington wine canceled.
- Japanese firm canceled >\$50M investment for new manufacturing facility in Washington.
- Commerce is working with more than 5 international clean tech firms (solar and battery) that have either delayed investment or curtailed employment in Washington due to the trade war.
- All of these proposed investments and companies are outside the Puget Sound region.



Global Business Development

Washington
Businesses Receiving
Export Assistance from
Commerce

Small businesses
continue to request
trade assistance





Global Business Development

States engaged directly with international markets:

- 40 states maintain about 200 offices or contracted representatives in overseas markets.
- Commerce has one overseas contract covering four European countries for export activity (not inbound investment).
- Overseas offices typically perform the following functions:
 - Identifying inbound investment to the state
 - New businesses creating capital investment and jobs
 - Direct investment for industrial property development
 - Identifying buyers for Washington-made products

Sources: Council of State Governments, OEDC



Global Business Development

- Washington remains popular for overseas investment.
- During Chinese International Import Expo event, Commerce team met with more than 15 firms or organizations interested in Washington investment – that are watching national-level discussion closely.
- Many overseas investments are poised to come to the U.S. in clean technology fields like solar, wind, and battery technology – as well as advanced manufacturing and agriculture related food processing projects.

Thank you!

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