

## **Trade and Washington State**

### **BACKGROUND**

We often hear that Washington is the most trade dependent state in the nation. But what does that mean?

### **OVERVIEW**

According to the Washington Public Ports Association (WPPA), Washington's trade economy reached \$111 billion in 2004. It will be even greater for 2006 due to an increase of nearly \$20 billion in exports alone.

WPPA reports that exports support nearly 740,000 jobs in this state; imports account for another 161,000. That is nearly one million Washington jobs that depend on trade. The state Department of Community, Trade and Economic Development anticipates that by 2005, one out of every three jobs in the state was tied to international trade.

When one thinks of leading global companies, Washington businesses like Microsoft, Boeing, Weyerhaeuser, and Starbucks quickly come to mind. Our state is home to many large corporations to be sure, but, interestingly enough, 88 percent of Washington's exporting companies are considered small- to mid-sized, that is, having 500 employees or less.

Washington's more than 9,400 exporting firms accounted for an estimated 11.7 percent of private-sector employment in 2001, according to the International Trade Administration and Bureau of the Census.

The value of Washington exports averaged more than \$35 billion per year between 2001 and 2005, jumping to \$53.1 billion in 2006. In fact, exports account for 25 percent of Washington's Gross State Product according to WPPA.

Washington has one of the highest per capita export values in the nation at \$6,035 for every state resident, and our state is the nation's fourth largest overall exporter, behind Texas, California and New York, respectively.

Combined, the ports of Seattle and Tacoma rank third in container cargo shipments behind Los Angeles/Long Beach and New York/New Jersey. WPPA estimates that container traffic in Puget Sound will more than double by 2020.

Products shipped through Washington reach more than 200 countries worldwide, although nearly 57 percent go to only four destinations – the European Union, Japan, Canada, and China.

In dollar terms, the aerospace and transportation equipment sector dominates the state's exports, accounting for more than half the value of all goods sold. Agricultural and processed food products are next, followed by electronic and scientific equipment including computers.

Interestingly, among manufactured goods, Washington's fastest-growing export sector is petroleum and coal products, increasing by 194 percent between 2000 and 2004 from \$325 million to \$955 million over that period.

Foreign investment is also integral to Washington's economy with more than 84,000 workers employed by foreign-controlled companies hailing primarily from Canada and European Union nations. More than one-fourth of these jobs are in the manufacturing sector, the Bureau of Economic Analysis reports.

But that is only part of the trade picture.

Export statistics generally do not include the service sector. Financial, legal, software, architectural, and other services cannot be easily measured for volume or value, especially those delivered on-line. Yet services are an important component of the state's export economy. The Washington Council on International Trade reports that service exports in 2000 had an estimated value of \$13.7 billion, equal to some 40 percent of all other Washington exports. Service exports also supported more than 43,000 jobs in our state.

## **AGRICULTURE AND TRADE**

America's domestic agricultural production far exceeds its consumption. Couple this with the fact that 96 percent of global food consumers live outside the U.S. – and they possess two-thirds of the world's buying power – and it becomes clear that trade is key to the long-term survival of American agriculture. Indeed, exports already generate some 25 percent of all farm cash receipts.

Moreover, many agricultural products are dependent upon foreign markets for sales opportunities. America exports 80 percent of its almonds, at least 70 percent of its cattle hides and cotton, almost 60 percent of its dried plums, half its rice, more than 40 percent of its wheat, grapefruit, grapes, raisins and pulses, and about one third or more of its soybeans, pears, oranges, and cherries. The U.S. also exports about one fifth of its apples, lemons, corn, animal fat, peaches, poultry, and pork.

Based on all of this, it is perhaps not too surprising that one of every three acres of cropland produces commodities destined for export. In fact, the U.S. sells about \$1.3 billion of agricultural products each week to over 100 countries across the globe. Agricultural exports alone support some 920,000 jobs nationwide – and could reach 1 million in 2007 – according to the U.S. Department of Agriculture. As many as 65 percent of those are located in urban areas.

## WASHINGTON STATE'S ROLE IN AG-TRADE

Agriculture in Washington state is similarly dependent upon international trade for its continued viability.

Cash receipts to Washington farmers and ranchers totaled \$6.4 billion in 2005. Of that, agricultural exports accounted for \$2 billion, or 31 percent, making Washington even more reliant on trade for farm income than the nation as a whole.

Washington ranks in the top ten states for agricultural exports, with more than 85 percent of our wheat, 60 percent of our hops and 30 percent of our apples sold abroad.

As the chart below from the U.S. Department of Agriculture indicates, Washington is the second largest exporter of fruits and vegetables in the nation, fourth largest exporter of wheat, and fifth largest exporter of "other products" which includes "... minor oilseeds, essential oils, beverages other than juice, nursery and greenhouse, wine, and misc. vegetable products."

### Top 5 Washington-grown agriculture exports, 2006

	Rank among states	Value (million \$)
1. Fruits and preparations	2	\$832.9
2. Vegetables and preparations	2	\$413.0
3. Other	5	\$391.1
4. Wheat and products	4	\$314.2
5. Live animals and meat	17	\$66.1
Overall rank	8	\$2,227.2

Goods produced in many other states are also exported through Washington, further adding to the strength of trade as a component of employment and income in this state. Indeed, agricultural products, whether produced in this state or another, accounted for eight of the top 25 U.S. exports shipped through Washington in 2006.

### Top agriculture products exported through Washington, 2006

	Rank among all WA exports	Value (million \$)
Soybeans	3	\$1,373
Corn	4	\$1,096
Wheat	6	\$895
Coniferous wood	9	\$417
Apples	10	\$389
Potatoes	12	\$309
Forage products	13	\$239
Salmon	24	\$145

These and Washington's other agricultural exports support more than 29,000 jobs in this state, many off the farm in food processing, storage and transportation. According to WPPA and the Washington Council on International Trade, export-related jobs have expanded twice as fast as non-trade employment and pay 46 percent more on average than the overall state average wage. The state Employment Security Department credits the roughly 3,000 or so jobs created since June 2004 in trade and related industries, including warehousing and transportation, with helping to lead the state's post-9/11 employment recovery.

## **STATUS**

Export markets hold even greater opportunity for Washington's farmers, ranchers and other agricultural producers but unfair trade barriers like excessive tariffs and unsubstantiated plant and animal health standards continue to limit access in many parts of the globe.

Washington's success at exporting agricultural products is certainly impressive, especially when one considers that the average tariff for these goods is 62 percent among World Trade Organization participating countries. South Asian and non-EU West European nations impose average bound tariff rates of over 100 percent, while African and Caribbean countries assess between 71 and 86 percent average bound tariff rates. By way of comparison, the United States' average bound tariff rate is just 12 percent.

## **ACTION**

Continued trade-related job and income growth for this state and its residents will depend upon the success of new international agreements. That's why Washington Farm Bureau members strongly support programs and agreements that increase market share or develop new markets for our members' products.

Farm Bureau has endorsed the following free trade agreements, and asks members to contact U.S. Senators Patty Murray and Maria Cantwell, as well as their U.S. Representative to voice their support of these important agreements. Contact information can be found on Washington Farm Bureau's Legislative Action Center at [www.wsfb.com](http://www.wsfb.com).

- U.S. – Columbia Free Trade Agreement
- U.S. – Korea Free Trade Agreement
- U.S. – Panama Free Trade Agreement
- U.S. – Peru Free Trade Agreement

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