

Trade Secrets: How a US State Cheats at Free Trade

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The APEX Center for Applied Ecological Economics is a non-profit organization that works to promote understanding and application of ecological economics. Ecological economics is economics updated to take into account modern insights such as the dependence of the economy on functioning ecosystems and the development of just and equitable social policies and systems.

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Executive Summary

Washington State is cheating at free trade. Export subsidies provided by the fifty states within the US are largely secret. Despite the “free trade” talk, Washington State practices an export subsidy walk. Special tax exemptions, agricultural supports, efforts to eliminate foreign trade barriers while maintaining domestic trade barriers, a massive State export promotion bureaucracy, odd accounts, murky trade trips, dubious public-private trade alliances and a focus on a small exclusive club of trading partners highlight policies that violate trade agreements and the public trust.

Trade is intended to benefit all. The programs exposed in this report benefit the few: few exporters, few countries and few people. The public pays for them. Trade policy dominated by few subsidized private interests increasingly defines Washington State and US trade policy. As the agriculture section of *Trade Secrets* demonstrates, this can produce impoverishing, destabilizing results.

Trade is vital. Trade can generate wealth and eliminate poverty, or expend wealth and cause poverty. This report argues that trade policy should be governed by public interest, not special interests. Wealth generation, poverty eradication, food security, ecological sustainability, equity, economic efficiency, and democratic governance must be strengthened – not weakened by – trade and trade policy. The trade secrets uncovered here, as well as the policy recommendations provided, are intended to help improve trade policy at the state, national and international levels.

Washington State’s Trade Secrets

Tax Exemptions: Washington State provides as much as half a billion dollars in tax exemptions to exporters. These tax exemptions are proliferating. Most recently, the Washington State Legislature and Governor approved a \$3 billion tax exemption offer for the Boeing Company. Under international trade agreements, including the World Trade Organization (WTO) Subsidies Agreement, export promotion tax exemptions are defined as subsidies and likely violations of that agreement. In addition, there is no certainty that the hundreds of millions of dollars companies save in State tax exemptions are spent, or retain jobs in Washington State.

Agriculture: US federal subsidies for agriculture are vast. So are state and local tax exemptions for agriculture in Washington State, which total over \$301 million annually, slightly more the \$295 million in annual subsidies provided by the federal government to farms in the state. With the inclusion of state subsidies, total US subsidies for agriculture are likely much larger than previously estimated. Furthermore, only 20% of farms in Washington State capture nearly 80% of the federal subsidies. Many farms receive no federal subsidies, placing them at a competitive disadvantage with subsidized farms. State subsidies may be distributed similarly. One significant State agricultural tax exemption benefits only the largest, most profitable farms.

Large subsidies for a few crops, like corn, wheat and soybeans, allow these products to be sold below the cost of production. This “dumping” of subsidized crops overseas is impoverishing millions of farmers globally. For example, corn growers in Chiapas, Mexico and Mindanao, Philippines experienced dramatic drops in corn prices linked to rising US imports under the WTO agreements and the North American Free Trade Agreement (NAFTA). This has reduced farm incomes, increased unemployment, poverty and hunger. Hunger feeds social unrest and insurgency.

Trade Barriers: In 2003, the Washington State government targeted over 240 specific “trade barriers” in over 40 countries for elimination, working in coordination with the US Trade Representative (USTR). Some of the trade barriers identified are clearly unjustified. Others, however, are legal under existing trade agreements and are similar to trade barriers the US maintains against other countries. In addition, through the USTR, Washington State has secured exemptions in existing trade agreements to protect local industries from global competition.

Public Institutions Promoting Exports: Washington State has a tremendous export promotion bureaucracy. State offices provide a remarkably full set of export promotion services for free. There is also a great deal of duplication between agencies in these services. For example, State agencies and ports maintain six separate trade offices in China, four offices in Tokyo, and three in Seoul, Korea. Washington State’s narrow focus on few trading partners is demonstrated with only one office in Brazil and no trade offices in Africa, Spanish-speaking Latin America, South and Central Asia, or Eastern Europe. How much taxpayer money is being spent for export promotion is unknown and no public debate exists; setting appropriate spending priorities is therefore impossible.

Odd Accounts: Two State trade offices, the Special Trade Representative and the Office of International Relations and Protocol, have accounts exempted from State accounting procedures. Under a little known loophole in State law, these offices can maintain separate bank accounts, accept unlimited private donations, and spend these funds for particular purposes without reporting the sources of funding, income or expenditures. APEX has no evidence of any misuse of these accounts. Trade promotion trips are common in several State agencies. All the trips APEX investigated were carried out with, or led by, private industry participants. The financing of these trips is still secret.

Public-Private Trade Alliances: State and local governments contribute substantial amounts of money to public-private trade promotion alliances, which appear to be little more than industry lobby groups funded with tax dollars. Partially-funded by government “dues,” some trade alliances lobby government on trade policy and specific trade legislation.

Transparency: Washington State government agencies have a history of supporting particular trade agreements and national trade legislation without informing the public or consulting the State Legislature. Trade agreements clearly impinge on state and local government sovereignty. State trade policy should be determined through public participation and transparent decision-making procedures.

Boom and Bust: As Washington state apple industry experience illustrates, export promotion focused on few goods and few markets may contribute to a boom and bust industry. One third of Washington state apple farmers have gone out of business since 1998. This track record raises the question - are export subsidies and promotion really beneficial to the state in the long run?

Selective Trade: Trade promotion by Washington State agencies is centered almost exclusively on 7 trading partners. Trade offices, trade trips, state programs and focus markets emphasize China, Japan, Russia, Korea, Taiwan, Canada and the European Union, ignoring most other countries. Trade follows investment, and global investment is also flocking to very few countries. In 2001, 62% of all private foreign direct investment (FDI) to developing nations went to just four countries: China, Mexico, Brazil, and Poland. Not all nations gain from trade, and there may be more trade losers than winners.

Conclusions

Most importantly, *Trade Secrets* challenges how we think about trade. The debate of free trade vs. protectionism has resulted in a lot of double talk. Today's most critical trade concerns are poverty, food security, real wealth generation, ecological sustainability, equity, and measuring the full benefits and costs of trade. Trade policy should be governed by public interest. The scale of trade should not compromise ecological sustainability. Trade should promote economic efficiency, wealth creation, poverty reduction and greater equity. *Trade Secrets* concludes with a discussion of trade policy solutions.

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Guide to Acronyms

APEX – Asia Pacific Environmental Exchange
BPA – Bonneville Power Administration
B&O – Business and Occupations (Tax)
CINTRAFOR – Center for International Trade in Forestry Products
CERB – Community Economic Revitalization Board
CY – Calendar Year
DOR – Department of Revenue
EWG – Environmental Working Group
FDI – Foreign Direct Investment
FMSIB – Freight Mobility Strategic Investment Board
IMP – International Marketing Program
IMPACT – International Marketing Program for Agricultural Commodities and Trade
IATP – Institute for Agriculture and Trade Policy
IMF – International Monetary Fund
ITD – International Trade Division
NAFTA – North American Free Trade Agreement
OIRP – Office of International Relations and Protocol
OFM – Office of Financial Management
OTED – Office of Trade and Economic Development
RCW – Revised Code of Washington
STR – Washington State Special Trade Representative
UNDP – United Nations Development Programme
US – United States
USTR – United States Trade Representative
WCIT – Washington Council on International Trade
WSDA – Washington State Department of Agriculture
WTO – World Trade Organization

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I. Introduction

Washington State is cheating at free trade. Export subsidies by the fifty states within the US are largely secret. Despite the “free trade” talk of Washington State officials, Washington State practices an export subsidy walk. Special tax exemptions, agricultural supports, elimination of foreign trade barriers with maintenance of domestic trade barriers, a massive State export promotion bureaucracy, odd accounts, murky trade trips, dubious public-private trade alliances and a focus on a small exclusive club of trading partners highlight policies that violate trade agreements and the public trust.

Citizens and their elected representatives do not know how much tax money is spent to benefit private exporters. Other nations and trade institutions, such as the World Trade Organization (WTO), are equally unaware of the amount of United States export support paid out at the state level.

This report reveals Washington State export support on a shocking scale. The secrecy surrounding State level trade support is not the result of officials hiding information. In fact, with only a few exceptions, Washington State officials were open and helpful in providing the material requested. The high level of export assistance remains secret because no one has asked the questions or examined State support for exports.

Washington State’s trade secrets include:

- Up to \$518 million in annual State tax exemptions for exporters
- \$301 million in annual State tax exemptions for agriculture
- \$29 million/biennium in State expenditures to promote exports
- Twenty-one publicly-funded international trade offices in 9 countries
- Extensive agriculture export programs
- Elimination of foreign trade barriers to Washington state products coordinated with the US Trade Representative (USTR)
- Exemptions in WTO agreements to protect Washington state companies coordinated with the USTR
- Odd accounts allowing private donations to two government offices for export promotion without reporting requirements
- Trade promotion trips by Washington State officials
- Exclusive trade promotion with seven trading partners to the exclusion of countries in Asia, Africa and Latin America
- Public funding of private trade promotion organizations, some of which directly lobby government on trade policy
- State support for trade agreements without consultation of or advisement from the Washington State Legislature or citizens

These “trade secrets”– export subsidies and trade promotion programs – stand in stark contrast to the vigorous support and advocacy for free trade by Washington State officials and media. A record of lobbying by Washington State officials supporting free trade

agreements (often without the knowledge or approval of the State Legislature or public) is listed in Table 1.

Table 1. Washington State Officials' Lobbying on Trade Negotiations

Year	Lobby Activity by Washington State Officials	Results	Source
1994	Lobbied 41 US State Governors to support creation of WTO	Governors support WTO creation	Washington Special Trade Representative 2000
1994	Support for NAFTA	NAFTA passed	Global Trade Watch 2003
1994	Washington State WTO Services exemptions identified	Exemptions in the WTO Services Agreement and other agreements secured	Odum 1994
1996	Lobby to host Third WTO Ministerial Meeting in Seattle	WTO Ministerial held in Seattle 1999	Parish 1999
1998	Identified specific trade laws "barriers" in other countries as targets for elimination in USTR trade negotiations.	Some trade barriers removed	Satran 1999
2000	Lobbied other states' governors to support accession of China to WTO	US and many US states support China accession	Washington Special Trade Representative 2000
2002	Presidential Trade Promotion Authority (Fast Track)	Narrowly passed with Washington State Congressional support	Global Trade Watch 2003
2003	Washington State Department of Agriculture report on agricultural trade barriers	Yet to be determined	Washington State Dept. of Agriculture 2003b

Agriculture exemplifies the hypocrisy of free trade rhetoric in Washington State. The Washington State Department of Agriculture (WSDA) recently produced a "trade barriers" report (WSDA 2003b). Along with the State's 24 agricultural commissions, the WSDA is demanding "free trade" and the removal of 264 specific agricultural trade barriers in 46 countries. Some of these import restrictions are legal under current international trade agreements and virtually identical to US import restrictions. Nevertheless, Washington State is working with the USTR to eliminate foreign trade barriers to Washington state agricultural products (WSDA 2003b; USTR 2003).

At the same time, the USTR position on the WTO Agriculture Agreement supports the complete elimination of agricultural export subsidies (US Embassy in Bolivia 2002). Some Washington state agriculture exporters currently receive hundreds of millions of dollars in federal and state subsidies (See Section IIIA, page XX). When asked what would happen if US subsidies for wheat were removed, one Washington State wheat expert said: "The impact would be horrendous, devastating. That's the profit in wheat

farming” (Confidential Interviewee 2003). The Washington State Wheat Commission’s official position is in clear agreement with the USTR; all export subsidies should be removed. According to the Wheat Commission and USTR, none of the massive federal and State subsidies for wheat in the US are export subsidies (Mick 2003).

At the federal level, while the USTR was negotiating for the elimination of export subsidies for agriculture, the US Congress passed, and President Bush signed, the largest farm subsidy bill in US history in 2002. The bill greatly expanded US agricultural subsidies for key export crops, including wheat (Environmental Working Group 2002a).

“Free trade, for other countries” is the real Washington State trade policy, echoing the increasingly obvious US government position.

The trade debate of free trade vs. protectionism avoids today’s most pressing trade issues: economic efficiency, food security, poverty, ecological sustainability, social impacts, and measuring the full benefits and costs of trade. Trade should be examined based on public interest. The scale of trade should not compromise ecological sustainability. Trade should promote economic efficiency, wealth creation, and poverty reduction. The fair and just distribution of trade benefits is crucial. Trade rules should be established in a transparent, democratic fashion. A detailed understanding of current export supports—from tax exemptions to trade trips—is critical. *Trade Secrets* concludes with a discussion and list of trade policy recommendations.

Figures 1 & 2. Washington State Vital Statistics

Figure 1. Washington State Profile

Population: 6,098,300

Population growth rate: 1.1 percent (2002)

Area: 66,544 square miles

Per capita income: 32,025 (2001)

Earnings per job: 38,073 (2000)

Lowest density county: Ferry County at 3.31 per square mile

Highest density county: King County at 836.91 per square mile

Migration rate: 1.9 percent, 21st in country

Unemployment rate: 7.5 percent (July 2003) 3rd highest in US

Sources: Washington State Office of Financial Management [OFM] (2003b); OFM (2003a); US Census Bureau (2003); OFM (2003b); US Department of Agriculture (2003); OFM (2002b); STATS Indiana (2002); US Department of Labor (2003a)

Figure 2. Washington State Leading Export Industries 2001 (in millions)

Transportation/aerospace	\$22,000*
Agricultural crops	\$ 3,900
Electronic/scientific equipment	\$ 1,200
Wood products	\$ 843
Special industry machinery	\$ 524
Medical equipment	\$ 487
Telecommunications	\$ 347
Environmental	\$ 189
Biotechnology	\$ 13
Total	\$29,503



*Much of this value is imported in parts.

Source: Washington State Office of Trade and Economic Development (2003d)

II. Export Tax Exemptions

A. Volume of State and Local Export Tax Exemptions

Washington State maintains 431 state tax exemptions, totaling \$45 billion in state and local tax exemptions each biennium. More taxes are *exempted* from collection than are *collected* in Washington State (Washington State Department of Revenue 2000). This, coupled with an antiquated tax system, leaves Washington State with the most regressive and unjust tax system of the 50 states (Institute on Taxation and Economic Policy 2003). The number of tax exemptions has been increasing at an accelerating rate. Table 2 shows the increase in Washington State tax exemptions.

Table 2. Number of Tax Exemptions Approved by the Legislature and Governor During Designated Time Periods

Years	Number of Tax Exemptions
1854-1899	16
1900-1929	10
1930-1959	89
1960-1979	107
1980-1999	211

Source: Washington State Department of Revenue (2000)

According to the Washington State Department of Revenue (DOR), 42 tax exemptions benefit exporters, with a total value of up to \$518,876,000 in annual tax exemptions (DOR 2001). Some of the exemptions identified promote interstate trade as well as international trade. Tax exemptions granted by the State government exempt exporters from local taxes, even if the local government tax authorities object.

Other tax exemptions also benefit exporters, but are not listed by the DOR as specifically promoting exports. For example, of the \$301 million in tax exemptions for agriculture (many adopted in the 1930s), \$143 million are identified by the DOR as benefiting exporters. Since many Washington state agricultural products are exported (Wahl 2003), even tax exemptions not strictly intended to support exports do so. Exporters also utilize Washington State economic development tax exemptions, which total \$2.7 billion and are not counted in the table below. The exemptions identified by the DOR provide only an initial understanding of Washington State export tax exemptions. Table 3 breaks down export tax exemptions by sector.

Table 3. Export Tax Exemptions 2001*

Category	Amount of Tax Exemption
Agriculture	\$143,544,000
Aircraft	\$125,567,000
Nonresident sales	\$ 86,070,000
Manufacturing	\$ 70,268,000
Vehicles/watercraft	\$ 45,593,000
Shipping	\$ 26,008,000
Fisheries products	\$ 2,027,000
Christmas trees	\$ 1,318,000
Other	\$ 18,481,000
Total	\$518,876,000

* Last year for which figures are available.

Source: DOR (2001)

Table 4 lists each of the 42 export exemptions, the tax source exempted (property tax, Business and Occupation [B&O] tax, etc.), legislation number under the Revised Code of Washington (RCW), savings to the exporter in State taxes, savings to the exporter in local taxes, the total percentage of the tax that promotes exports, and the total savings to the exporting taxpayer (State plus local taxes exempted). Notes for each line in Table 4 are included in Appendix 2.

Table 4. Tax Exemptions in Further Detail: Direct and Incidental Export-Related Tax Exemptions (including tax rate reductions and other tax savings)*

Exemption	Tax Source	RCW Citation	Calendar Year (CY) 2001 \$ Savings to Exporting Taxpayer (\$1,000) State Taxes	CY 2001 \$ Savings to Exporting Taxpayer (\$1,000) Local Taxes	CY 2001 Percent of Tax Promoting Export or Trade**	CY 2001 \$ Savings to Exporting Taxpayer (\$1000)
Ships/Vessels Under Construction	Prop. Tax	84.36.079	7	22	97.8%	28
Cargo Containers	Prop. Tax	84.36.105	743	2,317	100%	3,060
Christmas Trees and Cottonwoods	Timber Excise Tax	84.33.170	91	363	90.0%	409
Seafood Processing	B&O Tax	82.04.120	45	-	97.9%	44
Agricultural Production	B&O Tax	82.04.330	26,650	-	74.2%	19,774
Christmas Trees	B&O Tax	82.04.330	304	-	90.0%	274
Seed Conditioning	B&O Tax	82.04.331	504	-	77.1%	388
Grain Wholesaling	B&O Tax	82.04.332	7,782	-	92.1%	7,171
Exported Processed Hops	B&O Tax	82.04.337	991	-	100.0%	991
Food (Agricultural) Processing	B&O Rate	82.04.260	21,012	-	74.2%	15,590
Charter & Freight Brokers	B&O Rate	82.04.260(8)	9,949	-	100.0%	9,949
Stevedoring	B&O Rate	82.04.260(9)	8,450	-	98.0%	8,281
Research and Development	B&O Credit	82.04.4452	19,913	-	35.8%	7,132
International Services	B&O Credit	82.04.44525	286	-	100.0%	286
Help Desk Services	B&O Credit	82.04.4457	295	-	50.0%	148
Shipments to Ports	Pub. Util. Rate	82.16.050(8)	1,988	-	100.0%	1,988
Ocean Marine Insurance Rate	Ins. Premium Tax	48.14.020(3)	1,405	-	100.0%	1,405
Tuna/Mackerel/	Enhcd Fish	82.27.	23	-	97.8%	22

Jack Fish		010				
Exemption	Tax Source	RCW Citation	Calendar Year (CY) 2001 \$ Savings to Exporting Taxpayer (\$1,000) State Taxes	CY 2001 \$ Savings to Exporting Taxpayer (\$1,000) Local Taxes	CY 2001 Percent of Tax Promoting Export or Trade**	CY 2001 \$ Savings to Exporting Taxpayer (\$1000)
Differential Fish Tax Rates	Enhcd Fish	82.27.020	1,469	-	97.8%	1,437
Agricultural Services for Farmers	Sales/ Use Tax	82.04.050	95,695	20,609	74.2%	86,295
Christmas Trees	Sales/ Use Tax	82.04.213	573	132	90.0%	635
Breeding Livestock and Cattle	Sales/ Use Tax	82.08.0259	5,044	1,164	49.0%	3,044
Poultry	Sales/ Use Tax	82.08.0267	1,635	377	26.0%	522
Semen	Sales/ Use Tax	82.08.0272	239	55	21.7%	64
Pollen	Sales/ Use Tax	82.08.0277	21	5	82.0%	21
Fish Feed (Aquacultural)	Sales/ Use Tax	82.08.0294	435	100	97.9%	524
Leased Irrigation Equipment	Sales/ Use Tax	82.08.0288	5,940	1,370	74.2%	5,424
Livestock Feed	Sales/ Use Tax	82.08.0296	85	21	49.0%	52
Fruit & Vegetable Packing Materials	Sales/ Use Tax	82.08.0311	188	43	72.4%	167
Manufacturing Machinery & Equipment	Sales/ Use Tax	82.08.02565	156,081	40,113	35.8%	70,268
Prototypes of Aircraft Parts	Sales/ Use Tax	82.08.02566	250	64	95.0%	298
Anodes and Cathodes	Sales/ Use Tax	82.08.02568	10,778	2,156	97.9%	12,659
Film & Video Production Equipment	Sales/ Use Tax	82.08.0315	527	138	11.1%	74
Warehousing Remittance	Sales/ Use Tax	82.08.820	2,663	-	37.6%	1,001
Items Used in Interstate Commerce	Sales/ Use Tax	82.08.0261	174	46	100.0%	220

Exemption	Tax Source	RCW Citation	Calendar Year (CY) 2001 \$ Savings to Exporting Taxpayer (\$1,000) State Taxes	CY 2001 \$ Savings to Exporting Taxpayer (\$1,000) Local Taxes	CY 2001 Percent of Tax Promoting Export or Trade**	CY 2001 \$ Savings to Exporting Taxpayer (\$1000)
Vehicles Sold to Nonresidents	Sales/ Use Tax	82.08.0264	30,649	8,016	100.0%	38,665
Watercraft Exports	Sales/ Use Tax	82.08.0266	3,875	1,014	100.0%	4,889
Farm Equipment Exports	Sales/ Use Tax	82.08.0268	3,203	838	100.0%	4,041
Sales to Alaska/Hawaii/Territories	Sales/ Use Tax	82.08.0269	-	-	100.0%	-
Items Sold to Nearby Nonresidents	Sales/ Use Tax	82.08.02791	35,961	9,405	100.0%	165
Commercial/Other Aircraft Fuel	Aircraft Fuel Tax	82.42.030	32,968	-	0.5%	165
Total			\$620,640	\$122,725		\$518,876

*Savings to the taxpayer. The State may not realize this revenue if the exemption were repealed due to constitutional or statutory limits on taxation, or because of the ease of avoidance, i.e. taking delivery outside the state. "Direct" means that the tax provision's goal is to promote exports and/or trade. "Incidental" means that in the view of the DOR, the provision likely has a strong effect on exports even though the legislation does not specifically mention trade.

**The export or trade percentage is estimated with the WA Implan model or is assumed to be 100% due to the nature of the tax relief or as otherwise detailed in the notes (see Appendix 2).

Source: DOR (2001)

Of the 42 identified exemptions, 27 are classified as "direct" by the DOR, meaning they are specifically intended to promote exports. The remaining 15 are "incidental," meaning they may not have been intended to promote trade, but most of the products affected are exported. Thus, they are effectively export promotion tax exemptions. If all of these exemptions were removed, not all of the revenue could be collected, some taxes might still be avoided by the taxpayers or difficult to collect. In 2003, all of these exemptions remain in place and several new exemptions have been added.

In addition, while all other State expenditures must be reviewed and approved by the State Legislature and Governor every two years (education, agriculture, social service programs, etc.), tax exemptions are permanent. Once approved, they keep paying out to those individuals or companies exempted, indefinitely. Many Washington State agriculture tax exemptions date from the 1930s (DOR 2000).

One tax exemption identified by the DOR review as an “incidental” or unintended export exemption is RCW 82.04.330. According to the DOR, 74% of this tax exemption promotes exports. It is a blanket Business & Occupation (B&O) tax exemption approved in 1935 for agricultural producers of poultry, fur, birds, fish, animals, eggs, etc. The DOR review states: “The purpose of this exemption is presumably to aid an industry that was severely depressed in 1935” (DOR 2000). Another B&O tax exemption for smaller agricultural producers sets a B&O tax credit limit (DOR 2000). Thus, the 1935 exemption benefits only the largest farms that surpass the B&O tax credit limit.

For a discussion of the 431 Washington State tax exemptions and the Washington State budget crisis, please refer to the APEX report by David Batker and Maria Cain entitled *Washington State Tax Exemptions: Unsustainable, Unjust, Undemocratic, Illegal and Just Plain Bad Economics* (2003).

B. Recent Tax Exemptions and Other Subsidies for Boeing Company

The Washington State Legislature passed, and Governor Locke signed, a new set of tax exemptions for the Boeing Company in 2003 to help land the construction of the planned Boeing 7E7 airliner (Action Washington 2003). Boeing requested tax exemptions and reductions in Washington State’s required unemployment benefits. The Governor and Legislature agreed to Boeing’s demands. The Legislature passed a total of \$3.2 billion in tax exemptions over the next 20 years specifically for Boeing, and millions in public construction projects to support Boeing in hopes that the company locates its 7E7 plant in Washington State. The tax package included:

- Reductions in B&O tax rates
- Exemptions from sales taxes
- Property tax relief
- Leasehold tax exemptions
- Tax credits for research and development
- Exemptions from the State’s shoreline protection regulations to construct a rail/barge facility
- Improvements in state transportation systems
- Legislation promoting the third runway at the Sea-Tac International Airport
- Funding for the Community Economic Revitalization Board (CERB) to fund public works projects in the City of Moses Lake in support of Boeing facilities (Action Washington 2003).

Approval of budget items required a public hearings process. Approval of the tax exemptions did not. Free trade was not part of the considerations by the Legislature or Governor in promoting these subsidies for Boeing.

Prior to Boeing’s acquisition of other US commercial aircraft manufacturers and expansion of parts production in China, the company would have had no choice but to locate new production in Washington state, the locus of existing production facilities. By capturing a monopoly on production plants in the US and investing in other countries,

Boeing can effectively dictate their tax incentive demands and avoid taxes that other businesses are required to pay. In addition, the tax exemptions will remain in place even if Boeing phases out jobs or relocates them at a later date.

C. Violation of WTO Subsidies and Countervailing Measures Agreement

Washington State is bound by international trade agreements ratified by the US (US Department of Commerce 2003). The United States is a member of the World Trade Organization (WTO) and a party to several international agreements under the WTO (US Department of Commerce 2003). Exempting an exporter from a dollar of taxes is the same as giving the exporter a dollar in a direct subsidy. Both direct and indirect export tax exemptions are trade subsidies. The WTO Subsidies Agreement defines a subsidy as a financial contribution by a government that provides a benefit to an exporter. Subsidies take several forms, including:

- 1) A tax credit, exemption or other form of foregone government revenue that benefits a particular company or group of companies;
- 2) The provision of goods and services aside from general infrastructure that benefit a particular company or group of companies (US Department of Commerce 2003).

Under the details of WTO subsidy rules on prohibited and actionable subsidies, it is likely that many Washington State tax exemptions could be challenged under the WTO Agreement on Subsidies and Countervailing Measures (Subsidies Agreement).

Using these rules, over 140 WTO member countries could challenge Washington State subsidies to exporters (by pursuing a suit against the US government). If a WTO member government sues the US regarding state subsidies, a three-member dispute resolution panel in Geneva, Switzerland would hear the suit. The panel's decision can be appealed within the WTO, but WTO decisions are binding. The US Supreme Court has no jurisdiction. If the panel rules against the US (and thus against Washington's tax exemption), the ruling is enforceable. The US would be required to remove the exemption, face hefty trade sanctions or financially alleviate its adverse impact on the affected country or countries (US Department of Commerce 2003).

For example, under the WTO Subsidies Agreement, the European Union successfully challenged a federal tax exemption that allows Boeing and other US exporters to avoid over \$2 billion in federal taxes. The USTR is now working to remove this export subsidy (The US Mission to the European Union 2003).

Additional challenges to Washington State export subsidies can only be brought if other countries are aware that subsidies exist. Presently, Washington State export tax exemptions and trade violations remain secret, both to Washington state taxpayers and the international community.

III. Federal, State, and Other Support for Agriculture in Washington State

Agriculture is the most important area in international trade today. It is also the most contentious. Billions of people rely on food shipped from other countries. Almost one billion people are hungry (Sustainable Development International 2002). A large percentage of the world's farmers live in developing countries and are often over half the national population in those countries. Subsidized exports, especially grains, can reduce or increase hunger. Grain imports are critical for areas experiencing food shortages to prevent starvation. However, where there are no food shortages, selling grain to poor countries below the cost of production can lead to reductions in farmers' incomes, rising rural unemployment and increased hunger (Oxfam International 2003b; United Nations Development Programme 2003).

The WTO is currently embroiled in a tremendous struggle over the details of a global trade agreement on the trade in agricultural products (International Centre for Trade and Sustainable Development 2003). The prices and supply of food staples in many countries dictate the level of food security, unemployment, or hunger. Because so many people in the poorest areas of the world are farmers, the United Nations Development Programme (UNDP) has identified agriculture as key to raising the standard of living of the 1.2 billion people worldwide who live on less than US\$1 per day (UNDP 2003).

Perhaps more than any other area, agriculture also exemplifies the hypocrisy and dangers of free trade rhetoric and subsidies action. At the national level, the rich countries dole out over \$300 billion in agricultural subsidies every year (UNDP 2003). This does not include state and local government subsidies. How much they add to this imbalance is unknown.

At the Doha WTO Ministerial meeting in 2001, the USTR declared that all agricultural subsidies should be eliminated. Only seven months later, President Bush signed the 2002 Farm Bill into law, increasing direct spending on agriculture by as much as 80% to an estimated \$170 billion dollars over the next 10 years (Pierri 2002). Though Europe and Japan surpass the US in federal agricultural subsidies, the US has one of the most subsidized agricultural systems in the world (Krebs 2003a).

Washington state was the third largest exporter of US agricultural products in 2002 and ninth in total production, demonstrating significant dependency on export markets (Washington State Department of Agriculture International Marketing Program [WSDA IMP] 2003). The total value of crops, livestock, seafood and processed foods exported from Washington state totaled \$3.87 billion in 2002 (WSDA IMP 2003).

It is important to briefly review federal subsidies for agriculture and the conditions in developing countries to understand the full impact of state programs.

A. United States Federal Subsidies for Agriculture

Federal government support to US agriculture is extensive. According to Business Week, on average, 20% of total US farm incomes are from government subsidies (Magnusson 2002). These agricultural subsidies, however, are not distributed based on averages. The largest farms receive the bulk of the handouts.

According to the Environmental Working Group (EWG), over 66% of federal farm subsidies go to only 10% of farm owners and average \$41,500 per year. Less than 17% of subsidies were given to the bottom 80% of all farm owners, who received an average of \$1,132 per year in subsidies. Sixty percent of farms and ranches receive no subsidies (EWG 2002b). This means that smaller US farms are at a competitive disadvantage compared to more heavily subsidized larger US farms (agribusiness). Just as the export tax exemptions in Washington state have tended to benefit the wealthy and increase the tax burden on the poor, federal agricultural subsidies are biased toward large agribusinesses.

Farm subsidies are also concentrated on a few target crops. According to researchers at the University of Iowa, 53% of federal agricultural subsidies are concentrated on four crops that produce less than 20% of the total value of US crops (see Table 5).

Table 5. Concentration of Farm Subsidies

Crop	Percent of Total Federal Subsidies	Percent of US Crop Value
Corn	27	10
Cotton	13	2
Soybeans	10	7
Rice	5	0.7

Source: Babcock (2001)

According to a 2003 study by the Institute for Agriculture and Trade Policy (IATP), the size and concentration of United States subsidies results in prices for highly subsidized crops that are significantly below the cost of production. The IATP study shows that corn is sold 25-30% below the cost of production. US wheat is sold at 40% below the cost of production. The average price per metric ton of exported wheat was shown to be \$34.00/ton below the cost of production. Wheat exports totaled over 23 million metric tons in 2002, which amounted to nearly a \$1 billion discount below the total cost to produce that exported wheat (IATP 2003). Soybeans, cotton, and rice are also sold well below production costs at: 30%, 57%, and 20% respectively (IATP 2003). US cotton sells for less than half of the production costs.

B. Hunger, Food and Development

Over 70 percent of the world's poorest people are farmers. In many countries, including the very poorest 20 countries, farmers make up the majority of the population (UNDP

2003). In a 20 July 2003 editorial, the New York Times described the impact of dumping agricultural products below the cost of production in the rural Philippines. The New York Times editors state:

Put simply, the Philippines got taken. A charter member of the World Trade Organization in 1995, the former American colony dutifully embraced globalization's free-market gospel over the last decade, opening its economy to foreign trade and investment ... The [Philippine] government predicted that access to world markets would create a net gain of a half-million farming jobs a year, and improve the country's trade balance. Instead of making any gains, the Philippines has lost hundreds of thousands of farming jobs since joining the W.T.O. Its modest agricultural trade surpluses of the early 1990's have turned into deficits... [Former Philippine President] Ramos said in an interview that he was taken aback by [the W.T.O.'s] unwillingness to level the competitive playing field. "Poor countries cannot afford to be on the short end of this deal for long," he said. "People are in real need. People are dying." Mr. Ramos' plea could have emanated from any number of countries in the developing world, home to 96 percent of the world's farmers. It is a plea that needs to be heeded, before it is too late.

The beleaguered Philippine island of Mindanao is home to Communist and Islamic fundamentalist guerrillas. Links between al-Qaida and the local insurgents have made the island a battlefield in President Bush's war on terrorism. There is talk of sending in American troops. But to farmers on Mindanao, home to more than two-thirds of the Philippines' corn production, subsidized American imports loom as large as any other threat. Since the Philippines joined the W.T.O. eight years ago, American corn growers have received an astonishing \$34.5 billion in taxpayer support, according to an analysis of government data by the Washington-based Environmental Working Group. This helps explain how America is able to export... corn at only two-thirds its cost of production. The resentment is intense. "The common view here is that the United States, our former colonial master, is a destructive force," said Lito Lao, the chairman of the Alliance of Farmers group in the Mindanao province of Davao Oriental. Farmers' despair, he adds, fuels the Marxist New People's Army insurgency (New York Times 2003).

The 1997 economic crisis in Southeast Asia was a sobering lesson for food exporters and importers. When the Philippine peso dropped in value by almost half, from 25 pesos to the dollar to 40 pesos to the dollar over the span of months (www.FinanceAsia.com 2003; Wikipedia 2003), the cost of food imported from the United States almost doubled. The devaluation of Asian currencies made food imported from the US less affordable and Asian consumers bought less of it.

If the Philippines had been dependent on US imports for basic staples and food security, there would have been an instant nationwide hunger crisis. Dependency on imported food means that food affordability is contingent on exchange rate stability, monetary policy, foreign exchange earnings, and debt service. Food produced domestically, for

domestic consumption is largely unaffected by exchange rate fluctuations. Domestic production cushions food prices and food security against the vagaries of international financial markets and exchange rate politics.

Washington state farmers also suffered tremendously as a result of the Asian financial crisis and plummeting Asian demand. For example, a glut of apples resulted and prices for apples and other commodities crashed. Combined with competition from overseas, over one-third of Washington state apple farmers went bankrupt between 1998 and 2002 (WSDA IMP 2002b).

Corn has been grown in Mexico for over 10,000 years. As a 2003 Oxfam study shows, US corn subsidies are challenging that tradition. The United States provides approximately \$10 billion in subsidies to US corn growers each year. This amounts to ten times the total Mexican agriculture budget. US corn, sold below the cost of production in Mexico, has captured one-third of the market and reduced prices by 70% since 1994. This has severely reduced incomes of 15 million Mexican corn farmers. In some areas, where corn was a primary product, like the state of Chiapas, 70% of the population has fallen into severe poverty. Whereas millions of Mexican farmers have witnessed plummeting incomes, the largest US corn producers are trade winners. These companies capture the bulk of US government subsidies, allowing them to fetch a hefty profit, even while selling corn below the cost of production to Mexico and other countries (Oxfam 2003b).

UNDP has shown that increasing farm incomes in poor developing countries reduces hunger, increases literacy, and improves health care. Growth in highly capital-intensive industries, such as the oil industry, does not produce these kinds of diverse, equitably distributed development gains in rural areas. Although oil may generate great amounts of wealth, it generates little overall employment and few economic and social gains shared by the entire population (UNDP 2003).

In countries where most people are rural farmers, cheap food imports halt the flow of income from urban to rural areas, cuts off investment and can create much more hunger than it relieves (Oxfam 2003b). Between 60 to 75% of the world's poor live in rural areas and depend on agriculture for their livelihoods (Fried 2002).

Trade in food is complicated and unquestionably a matter of life or death for hundreds of millions of people. Unfortunately, Washington State trade policy does not take any of these issues into account.

C. Washington State Subsidies for Agriculture

According to EWG, Washington state farmers received \$1,482,381,417 in federal agricultural subsidies from 1996 to 2001, \$295,276,359 in 2001 alone. This is in addition to the subsidies that Washington state farmers receive directly from the state – \$301 million in tax exemptions for agriculture (DOR 2000), \$143 million of this in direct and indirect export promotion tax exemptions (discussed in Section II above). The top 20%

of farms in Washington state received 79% of all federal subsidies with an average of \$222,549 per year per recipient. The other 80% of Washington state farms split 21% of the subsidies receiving on average \$14,754 per year per recipient. Washington state produces over 250 different crops, the second most diverse set of crops of all the fifty US states (WSDA IMP 2003). Washington state farmers growing crops other than corn, soybeans, cotton, wheat and a few others focus crops are also at a competitive disadvantage. Washington state wheat farmers do benefit from federal subsidies (EWG 2002b).

In addition to the federal direct subsidies, Washington state agricultural producers receive subsidized water and irrigation (conveyance) costs (Krebs 2003b), discounted electricity prices, tax-exempted fossil fuel, pesticide and fertilizer inputs (DOR 2000) and other subsidies lowering the costs of agricultural production. Roads and shipping lanes are also built and maintained at state or federal expense. Currently, \$134 million is being invested in a Columbia River dredging project to allow for larger grain barges (Linn 2003).

Farmers in Washington state also receive highly subsidized water and irrigation from the federal government (Krebs 2003b). In some cases, the government pays farmers not to receive water. For example, the Bonneville Power Administration (BPA) pumps water up 300 feet from Roosevelt Lake (formed by Grand Coulee Dam) into Banks Lake and irrigation canals. Between April and September, the cost of this program to BPA is \$330 per acre irrigated (Canaday 2001). The cost to BPA of pumping water to Banks Lake to irrigate one acre of crops is more than the annual income of many farmers globally.

To save money, BPA has offered an energy buy-back program. Farmers who agree not to have their land irrigated are paid \$70 per megawatt hour for power saved (the market price is from \$250-300/megawatt hour). Ron Rodewald, BPA Public Utilities Specialist, stated: "We are pleased with the irrigator's response." The program targeted the most water-intensive crops and lands totaling 75,000 acres. "The total cost to BPA is \$24.75 million" (Canaday 2001). This is in addition to the federal and state subsidies mentioned above.

Federal, state and private companies frequently fund joint agricultural projects and research. The agricultural commodity commissions are chartered by the state government (Bettridge 2003) and receive funding from private firms and farmers, as well as the federal and state governments, for various aspects of their work (WSDA IMP 2002a). Washington State has 24 Agricultural Commodity Commissions (WSDA 2003a). Some, like the Apple Commission, maintain representatives overseas to market Washington state apples internationally (Washington State Apple Commission 2003). Commodity Commissions also initiate preparation of anti-dumping suits to protect domestic production and international market share (WSDA IMP 2002c).

The Washington State Department of Agriculture spends \$820,000 annually in Washington to promote international trade (Washington State Legislative Committee on Economic Development 2002). In addition, university research programs promote

agricultural exports. In fact, the goal of the Washington State University International Marketing Program for Agricultural Commodities and Trade (IMPACT) is to “improve the competitiveness of Washington and Pacific Northwest agriculture in the world marketplace” (IMPACT 2003). IMPACT conducts research for agriculture exporters on market and consumption trends by country, distribution channels, import laws and regulations. IMPACT also helps identify export opportunities and works on specific technical or economic problems exporters experience. IMPACT assists Washington state exporters in accessing Federal and State assistance, subsidies and credit. The budget for IMPACT is 30% State, 20% Federal and 50% private (IMPACT 2002).

Washington State has a number of duplicative programs for assisting agricultural exports. The International Marketing Program (IMP), housed within the Washington State Department of Agriculture (WSDA), also assists agriculture businesses with overseas sales of Washington state agriculture products (WSDA IMP 2002a). Their services include matching buyers with sellers, financing, marketing resources and resolving market access problems (WSDA IMP 2002a).

The IMP maintains overseas trade representatives in Japan, Taiwan, China and Southeast Asia (WSDA IMP 2003a). These representatives are charged with: 1) arranging and accompanying Washington companies on in-country appointments; 2) conducting market research for specific products; 3) leading buyer or supplier missions to or from Washington state; 4) organizing trade shows and seminars; and 5) assisting when shipments encounter problems after arriving at their destination (WSDA IMP 2002).

Globally, the World Bank and the International Monetary Fund (IMF) have forced many nations in Asia, Africa, and Latin America to cut agricultural and food subsidies, and charge increased prices for water, water conveyance, energy, and other farm inputs (Global Exchange 2001). Farmers in Washington state have not undergone these “structural adjustments” and enjoy free water, reduced irrigation costs, subsidized energy, and reduced costs for many agricultural inputs.

IV. Eliminating Overseas Trade Barriers to Washington State Exports

Eliminating trade barriers to agricultural goods is a high priority for Washington State officials. In conjunction with the STR ([State] Special Trade Representative), the WSDA compiled a series of reports identifying foreign trade barriers to agricultural exports (Satran 1999; WSDA 2003b). State officials use these reports as a basis for working with the USTR (United States Trade Representative), the US Department of Agriculture, the Washington State Congressional Delegation, and in meetings with and lobbying of “foreign government leaders” to remove trade barriers (WSDA 2003b).

Detailed in 238 pages of documentation, *The Washington State Report of Foreign Trade Barriers to Agricultural Exports* identifies 265 foreign trade barriers in 46 countries and the financial losses to Washington state exporters associated with these barriers (WSDA 2003b). Many of the barriers are legal under international trade agreements, while some are similar to restrictions that the US maintains.

This Washington State report contributes to the USTR's report: *2003 National Trade Estimate Report on Foreign Trade Barriers* (USTR 2003). Included in the USTR report are interviews with Washington state exporters that identify trade barriers. This wealth of detailed information provides the USTR with a tremendous amount of negotiating power.

A trade barriers report prepared in advance of the 1999 Seattle WTO meeting states: "This report on trade barriers includes significant barriers, whether or not they are consistent with international trading rules. Many barriers to the free trade of Washington products are, in fact, consistent with existing international trade agreements" (Satran 1999). The report identifies countries that "...employ trade practices which serve to hinder the free trade of Washington's agricultural products and processed foods" (Satran 1999).

The report confirms that eliminating trade barriers in developing nations is easier than eliminating them in industrialized countries. The 1999 report states, "...our most significant trading partners – Japan, European Union, Canada, China – also seem to be the ones that have constructed the most intractable barriers to trade...our largest export commodities – apples, wheat, potatoes etc. – report the greatest number of obstacles" (Satran, 1999).

None of the reports in the trade barrier series produced by either Washington State or the USTR contain any consideration of the development benefits or potentially impoverishing impacts of removing the targeted traded barriers.

An entry on Brazil in the 2003 report is typical of the barriers these reports have identified. The 2003 report documents Brazilian trade barriers to Washington state apples, cherries, fresh potato, frozen French fry, pear and seed potato. The entry for apples is quoted below.

Apples: Tariff (Import Policies)

Brazil imposes a 12.5% duty (CIF) on imports of apples from the United States. Imports from other MERCOSUR countries (Argentina, Paraguay and Uruguay) have a competitive advantage because tariffs on these products were eliminated on 1 January 1995. Based on current market conditions in Brazil, the industry estimates that U.S. apple exports would increase by \$5 to \$25 million a year if Brazil removed the tariff (WSDA 2003b).

Table 6 shows the countries and number of specific trade barriers identified in April 2003 by the WSDA.

Table 6. Number of Trade Barriers by Country Targeted by Washington State Trade Barriers Report 2003

Country	Number of Barriers Identified	Country	Number of Barriers Identified
Argentina	10	Malaysia	4
Australia	9	Mercosur	1
Bangladesh	3	Mexico	11
Bolivia	3	New Zealand	3
Brazil	6	Nicaragua	1
Canada	8	Norway	3
Chile	6	Pakistan	1
China	20	Panama	2
Colombia	6	Paraguay	1
Costa Rica	4	Peru	5
Dominican Republic	7	The Philippines	7
Ecuador	5	Romania	2
Egypt	4	Russia	2
El Salvador	4	Saudi Arabia	6
European Union	19	South Africa	10
France	1	South Korea	25
Guatemala	5	Taiwan	12
Honduras	1	Thailand	7
Hong Kong	1	Turkey	2
India	5	United Arab Emirates	2
Indonesia	6	Uruguay	1
Israel	8	Venezuela	8
Italy	1	Vietnam	4
Japan	18		

Source: WSDA (2003b)

Table 7. Washington Agricultural Products and Processed Foods: Foreign Trade Barriers 1999

Commodity and Country	Type of Trade Barrier	Losses to Washington State Exporters Per Year in US\$
<i>Apples</i>		
Andean Community	High tariffs on apples and pears	\$5-\$25 million
Australia	Prohibition on apple and pear imports	\$5-\$25 million
Brazil	Tariffs on apples and expensive quarantine requirements	
Canada	Antidumping duties on red delicious apples	
China	Phytosanitary restrictions on apples; high tariffs on apples; apple concentrate dumping; transparency	
European Union	Apple tariffs; entry price system and licensing	\$5-25 million

Commodity and Country	Type of Trade Barrier	Losses to Washington State Exporters Per Year in US\$
Israel	High tariff; apple/pear quota; Value Added Tax	\$5-\$25 million
Japan	Apple protocol; testing for US exports of apples	
Mexico	Anti-dumping min. pricing; onerous bureaucracy	55% drop in exports to Mexico
Philippines	High tariffs on apples	
South Africa	Phytosanitary ban on US apple, pear and cherries	\$5 million
South Korea	Phytosanitary restriction on apple exports	
Taiwan	Tariff on apple imports; counterfeit WA apples	
Thailand	Tariffs on apples	
Venezuela	High tariffs on apples and pears	\$5-\$25 million
Vietnam	High tariffs on apples	\$10 million
<i>Cherries</i>		
Argentina	Phytosanitary ban on cherry exports	\$1 million
Australia	Prohibition on cherry imports	\$5-\$25 million
China	High tariffs on cherries	
European Union	Low tariff-rate quota; entry price system, licensing	
Japan	Phytosanitary concerns; easing cherry restrictions	
South Africa	Phytosanitary ban on US sweet cherry exports	
South Korea	Phytosanitary concerns	
Thailand	Tariffs on pears and sweet cherries	\$5 million
<i>Chickens</i>		
Canada	Quota on fresh chickens	
<i>Dairy Products</i>		
Canada	Export subsidies; state enterprise; tariff rate, quota	
China	Arbitrary duties; high tariffs; import license/quota	
Japan	Low butter quotas; sales restrictions; id. Standards	
South Korea	Import licensing	\$2.4 million
<i>Dry Pea/Lentil</i>		
Brazil	Preferential treatment to MERCOSUR members (Argentina, Brazil, Uruguay & Paraguay)	\$1.125 million
Canada	Risk insurance subsidy to pulse exporters	
Chile	10% duty on US pulse exports; phytosanitary requirements	\$675,000
Peru	High import tariff on peas	
Thailand	Tariffs on pulse	\$50,000
<i>Eggs</i>		
Dubai	Excessive labeling requirements	

Commodity and Country	Type of Trade Barrier	Losses to Washington State Exporters Per Year in US\$
Taiwan	High tariffs	
European Union	Egg export subsidies	
<i>Fish and Seafood Products</i>		
Canada	Prohibition on the importation of salmon eggs	
China	Inspection certificates	
European Union	Import quota	
Japan	Fire regulations	
Taiwan	High tariffs on seafood and fish products	
South Korea	Prohibition on the import of Pacific cod milt	
Spain and Portugal	High duties	
<i>Hay</i>		
China	High tariffs	
<i>Hops</i>		
European Union	Hop subsidies; pesticide residue problems	\$3-4 million
<i>Livestock</i>		
Canada	Bluetongue disease testing; animal health concerns	
European Union	Certif. of meat prod. facilities; ban on all US beef	\$20 million
South Korea	Import licensing	\$2.4 million
<i>Mushrooms</i>		
Canada	Pesticide harmonization	
<i>Pears</i>		
Andean Community	High tariffs on pears	
Australia	Prohibition on pear imports	
China	Phytosanitary restrictions on pears	
European Union	Entry price system and import licensing system	\$5-\$25 million
Israel	Tariff rate quota on pears; value added tax	
Japan	Phytosanitary ban on pears	
South Africa	Phytosanitary ban on pears	
Thailand	Tariffs on pears	
<i>Potatoes</i>		
Canada	Subsidies on fresh and frozen potatoes	
China	Import ban on fresh potatoes; high tariffs on frozen	
India	Frozen potato tariffs; confusion on HS2004 lib.	
Indonesia	Tariffs on fresh and frozen potato products	
Japan	Prohibition on importation of US fresh potatoes	
Mexico	Phytosanitary restrictions; tariff rate quota on fresh/frozen	\$5 million
Philippines	High tariffs on frozen potato products	
South Korea	Tariff rate quotas on potatoes and potato products	

Commodity and Country	Type of Trade Barrier	Losses to Washington State Exporters Per Year in US\$
Taiwan	Phytosanitary restrictions on fresh potatoes; pesticide residues; tariffs on frozen potato products	
Thailand	Tariff rate quota on fresh potatoes; tariffs on frozen potato products	
<i>Raspberries</i>		
Chile	Generalized system of preferences (GSP)	
<i>Stone fruits</i>		
Mexico	Phytosanitary ban on apricots, nectarines, peaches	\$4 million
<i>Wheat</i>		
Australia	State trading entities/single desk seller	
Canada	State trading entities; lack of reciprocal access; pesticide pricing and harmonization of uses; transportation subsidies and other non-transparent subsidies	
China	Tariff rate quota/tariffs	
European Union	Export subsidies	
<i>Wine</i>		
Australia	Subsidies	
Chile	Subsidies	
European Union	Barriers to wine; tariffs; testing; subsidies; labeling	
Mexico	High tariffs	

Source: WSDA (1999)

A single state in the US has the resources to identify, compile, and assail trade barriers in other countries through the USTR and direct talks with government officials. This demonstrates the overwhelming advantages of US trade negotiators.

Despite the mandates of international trade agreements, Washington State maintains a policy of removing all trade barriers, legal or illegal, to agricultural exports under the banner of “free trade,” while at the same time retaining vast subsidies and export promotion programs. This has led to an inefficient, inequitable, unsustainable and undemocratic trading regime. Countries in Asia, Africa and Latin America have had their laws changed, institutions developed or eliminated in order to abide by WTO rules, particularly under IMF and World Bank lending conditions (Wolfensohn and Köhler 2003). There is no international institution to watch over Washington state or the other forty-nine U.S. states to ensure compliance with international trade agreements.

V. Maintaining Domestic Advantages: Securing Exemptions in WTO Agreements

While Washington State works to eliminate foreign trade barriers to Washington products, it also communicates with the USTR prior to negotiations to secure exemptions

and restrictions benefiting Washington products. For example, in response to an inquiry from the USTR, Washington State requested 59 reservations to Most Favored Nation or National Treatment principles contained in the General Agreement on Trade in Services (Odom 1994). This list was submitted on 10 June 1994 to Ms. Debbie Shon, Assistant USTR, along with the following comments:

This particular submission primarily contains reservations of laws and measures that could possibly be construed as providing preferential, beneficial or subsidized treatment to Washington State residents or that could possibly be construed as treating non-state persons in a manner different from state residents. It is my understanding that the Department of Revenue has already forwarded to you the reservations for tax provisions. If this is not the case, please contact us.... It is also our understanding that the USTR has reserved a number of items on behalf of the individual states that should cover many state laws and measures that could arguably be construed as preferential, beneficial or subsidized treatment (Odom 1994).

APEX was unable to secure the list of reservations for tax provisions. When the USTR asked for a list of areas where the State violated WTO agreements, Washington State officials responded that they considered it too expensive to determine which State laws or tax exemptions violate WTO and other international trade agreements (Odom 1994).

VI. Washington State Public Institutions Promoting Exports

Washington State maintains an enormous, duplicative, poorly-coordinated trade promotion bureaucracy. Many agencies provide the same services and operate completely independently.

For example, the Office of Trade and Economic Development (OTED), WSDA, and the Ports of Seattle and Tacoma maintain 21 overseas trade promotion offices often in the same countries, and usually in the same cities (see Table 8). These four public agencies maintain six separate overseas trade offices in China. Four separate offices in Tokyo, Japan; three in Seoul, Korea; two in Taipei, Taiwan; two in Singapore; and one office in Brazil, Russia, Germany and France. The Port of Tacoma also has offices in the mid-west and east coast and the Port of Seattle maintains an office in Spokane.

The location of these offices emphasizes Washington State's lopsided focus on only a few trading partners. There are 16 offices in East Asia, two in Southeast Asia, two in Europe and one in Latin America. There are no offices in Africa, South Asia, Eastern Europe, Central Asia, the Pacific Islands or Spanish-speaking Latin America. In addition to these offices, the various Washington State Agricultural Commissions maintain offices and representatives in several countries. All of these offices offer similar services to exporters.

Table 8. Washington State Overseas International Trade Office Network

OTED Offices	WSDA Offices	Port of Seattle Offices	Port of Tacoma Offices
Shanghai, China	Beijing, China	Beijing, China	Shanghai, China
Taipei, Taiwan	Taipei, Taiwan	Hong Kong, China	Hong Kong, China
Tokyo, Japan	Tokyo, Japan	Tokyo, Japan	Tokyo, Japan
Seoul, Korea	Coolespei, Brazil	Seoul, Korea	Seoul, Korea
Paris, France		Singapore	Singapore
			Germany
			Vladivostok, Russia

Sources: OTED (2003d); WSDA (2002a); Port of Seattle (2003); Port of Tacoma (2003)

Though public institutions, the Ports do not cooperate as neighboring public utilities generally do. They view their relationships as highly competitive, vying for national and international containers (Barzdukas et al 2003). This competition wastes substantial public funds and merely redistributes jobs between Seattle and Tacoma. Were the Ports able to cooperate, they could focus on service and bringing business and jobs to Washington State.

An outline of Washington State trade promotion institutions is presented in Diagram 1 below. Appendix 1 contains brief descriptions of the State Agencies providing exporters with support services, usually at no cost.

Table 9. Washington State Trade Promotion Institutions *

Office	Promotion Entity
Governor's Office	Office of International Relations and Protocol (OIRP) Governor's Special Advisor on Trade
Department of Agriculture	State Commodity Commission Program (24 Commissions, see Table 9) International Marketing Program (IMP) Overseas Trade Offices 1. China 2. Taiwan 3. Japan 4. Brazil
Department of Education	a. University of Washington Center for International Trade in Forest Products (CINTRAFOR) b. Washington State University International Marketing Program for Agricultural Commodities and Trade (IMPACT) c. Many other trade promotion-related university-based programs exist

Office	Promotion Entity
Department of Transportation (and other government entities)	<p>a. Freight Mobility Strategic Investment Board (FMSIB)*</p> <p>b. International Mobility and Trade Corridor Project (IMTC)*</p> <p>c. Freight Action Strategy (FAST)*</p> <p>*These programs are collaborative efforts between the Department of Transportation and other governmental entities.</p>
Department of Community, Trade and Economic Development	<p>a. Office of Trade and Economic Development</p> <ol style="list-style-type: none"> 1. International Trade Division <ol style="list-style-type: none"> a. Foreign Trade Offices <ol style="list-style-type: none"> 1. Tokyo, Japan 2. Taipei, Taiwan 3. Shanghai, People’s Republic of China 4. Paris, France 5. Seoul, S. Korea b. Industrial Machinery <i>Lead Market: Mexico</i> <ol style="list-style-type: none"> 1. Agribusiness Equipment & Machinery 2. Hotel & Restaurant Equipment 3. Industrial Machinery c. Apparel <ol style="list-style-type: none"> 1. Arts & Crafts d. Aerospace & Marine Industries–<i>Lead Market:</i> <p>France</p> <ol style="list-style-type: none"> 1. Marine Industries 2. Metallurgy 3. Musical Instruments & Apparatus e. Information & Communication Technology–<i>Lead Markets: Japan, Korea, & France</i> <ol style="list-style-type: none"> 1. Computer Hardware 2. Electronics 3. Peripherals f. Electronics & Scientific Instrumentation–<i>Lead Market: Canada</i> <ol style="list-style-type: none"> 1. Chemicals 2. Security and Safety & Devices 3. Education 4. Sporting Goods g. Medical Equipment & Devices–<i>Lead Markets:</i> <p>Japan & Korea</p> <ol style="list-style-type: none"> 1. Biotechnology 2. Healthcare Services 3. Pharmaceutical h. Building Materials & Wood Products –

	<p><i>Lead Markets: Japan & China</i></p> <ol style="list-style-type: none"> 1. Architecture & Constructions 2. Lawn & Garden 3. Forestry & Woodworking Equip 4. Furniture 5. Pulp & Paper <p>i. Environmental & Energy Technology–<i>Lead Markets: China & Taiwan</i></p> <ol style="list-style-type: none"> 1. Pollution Control Equip 2. Water Resources Equip 3. Energy (Renewable & Other) 4. Consumer Products <p>b. Business Finance Unit (10 finance programs)</p> <p>c. Business Retention and Expansion Program</p>
Washington State Secretary of State	a. Assistant Secretary of State
Washington State Lieutenant Governor	a. Chair of the Washington State Legislative Committee on Economic Development
Washington State Foreign Trade Zones	a. 12 Foreign Trade Zones (See Table 11)
Washington State Port Districts	<p>a. Port of Seattle</p> <ol style="list-style-type: none"> 1. Overseas office network <ol style="list-style-type: none"> a. Beijing, China b. Hong Kong c. Japan d. Korea e. Singapore <p>b. Port of Tacoma</p> <ol style="list-style-type: none"> 1. Overseas Office Network <ol style="list-style-type: none"> a. Shanghai, China b. Hong Kong c. Japan d. Korea e. Singapore f. Germany g. Russia <p>c. 76 Port Districts total (see Table 12)</p>

* Many programs within universities and other government agencies are not included in this table.

Source: See Appendix 1

Table 10. Washington State Chartered Agricultural Commissions

Alfalfa Seed Commission	Cranberry Commission	Puget Sound Salmon Commission
Apple Commission	Dairy Products Commission	Red Raspberry Commission
Asparagus Commission	Dry Pea & Lentil Commission	Seed Potato Commission
Barley Commission	Fruit Commission	Strawberry Commission
Beef Commission	Fryer Commission	Tree Fruit Research Commission
Blueberry Commission	Hop Commission	Turfgrass Seed Commission
Bulb Commission	Mint Commission	Wheat Commission
Canola Commission	Potato Commission	Wine Commission

Source: WSDA (2003a)

Table 11. Washington State Foreign Trade Zones

Seattle	Tacoma (2)	Sumas	Spokane
Whatcom County	Bellingham	Blaine	Moses Lake
Cowlitz County	Everett	Grays Harbor	Olympia

Source: Washington State Office of Trade and Economic Development (2002)

Table 12. Washington State Port Districts

Port of Allyn	Port of Grant City # 7	Port of Port Townsend
Port of Anacortes	Port of Grapeview	Port of Poulsbo
Port of Bellingham	Port of Grays Harbor	Port of Quincy
Port of Benton	Port of Hoodspout	Port of Ridgefield
Port of Bremerton	Port of Illahee	Port of Royal Slope
Port of Brownsville	Port of Ilwaco	Port of Seattle
Port of Camas-Washougal	Port of Indianola	Port of Shelton
Port of Centralia	Port of Kahlotus	Port of Silverdale
Port of Chehalis	Port of Kalama	Port of Skagit County
Port of Chelan County	Port of Kennewick	Port of Skamania County
Port of Chinook	Port of Keyport	Port of South Whidbey Island
Port of Clarkton	Port of Kingston	Port of Sunnyside
Port of Columbia	Port of Klickitat	Port of Tacoma
Port of Coupeville	Port of Longview	Port of Tahuya
Port of Dewatto	Port of Lopez	Port of Traceyton
Port of Douglas	Port of Mabana	Port of Vancouver
Port of Edmonds	Port of Manchester	Port of Wahkiakum
Port of Eglon	Port of Mattawa	Port of Wahkiakum Cnty # 2
Port of Ephrata	Port of Moses Lake	Port of Walla Walla
Port of Everett	Port of Olympia	Port of Warden
Port of Friday Harbor	Port of Orcas	Port of Waterman
Port of Garfield	Port of Othello	Port of Whitman County
Port of Grandview	Port of Pasco	Port of Willapa Harbor

Port of Grant Cnty #4	Port of Pend Oreille	Port of Woodland
Port of Grant Cnty # 5	Port of Penninsula	
Port of Grant Cnty #6	Port of Port Angeles	

Source: Washington Public Ports Association (2003)

There are several departments under the Governor that engage in trade-related issues, including the Office of Trade and Economic Development (OTED), the Department of Agriculture (WSDA), and the Department of Education. The Secretary of State has evolved into a trade promotion office, though there is no constitutional mandate for this activity. In addition there are 76 State-chartered port districts, each with taxation and trade promotion powers (Washington Public Ports Association 2003).

Table 13 shows trade promotion expenditures for some of the government agencies. This partial list tallies State expenditures for Department offices at \$29 million for the current biennium. If tax exemptions and expenses for the top five ports are included as public institutional costs, the figure is over \$1 billion annually.

Table 13. Expenditures for Trade Promotion by Publicly-Funded Agencies in Washington State

Public Entity Name	Beneficiaries	Budget – FY 2003	Source
Office of Trade and Economic Development (OTED) International Trade Division (ITD)	Transportation and aerospace industry; building and wood products; information and communication technologies; environmental services; electronics; scientific equipment; medical and biotechnology services; and special machinery industry, among other exporters	\$5,957,758	Watson 2003
Export Finance Assistance Center of Washington	Wide spectrum of exporters	\$440,000	Wallace 2003a
Community Economic Revitalization Board	Wide spectrum of exporters	new funds: \$11,491,000 in prior funds: \$9,302,748	Wallace 2003b
Washington Department of Agriculture International Marketing Program	Washington State agriculture	\$1,600,000	Bettridge 2003
Washington Department of Agriculture International Marketing Program	Offices in Japan and Taiwan	(Annual) \$304,804	Schumaker 2003

Public Entity Name	Beneficiaries	Budget – FY 2003	Source
International Marketing Program for Agricultural Commodities and Trade (IMPACT)	Washington State agriculture	Unavailable	N/A
Washington State Commodity Commiss.	Washington state agribusiness	\$9,000	Bettridge 2003
Center for International Trade in Forest Products	Washington state timber industry	\$82,000	Stevens 2003
Total Expenditures for the Biennium	Washington state exporters	\$29,187,310	N/A

Table 14. Other Public Expenditures on Export and Trade Promotion

Public Entity Name	Beneficiaries	Budget – FY 2003	Source
Public Port Districts: Top 5 state ports of Seattle, Tacoma, Olympia, Vancouver and Kalama combined	Importers and exporters (This does not include long-term debt, which totals in the billions. Long-term debt for Port of Seattle alone was \$2,113,662,000 in the 2002 auditor's report).	\$475,182,721	Queen 2003 Port of Tacoma 2003a Buck 2003 Shelby 2003 Port of Vancouver 2003
Freight Mobility Strategic Investment Board	Washington state export businesses	\$616,000 in 2003-2005 biennium	2003-2005 Washington State Budget
Dredging of the Columbia River	Primarily grain exporters (\$134 million total cost with federal contributions)	State: \$17.7 million in 2003	2003-2003 Washington State Budget
Annual Tax Exemptions for Exports	Many state exporters	\$518,876,000	DOR 2001

VII. Odd Accounts in Two State Trade Promotion Offices

Two State offices, the Office of International Relations and Protocol (OIRP) and the (State) Special Trade Representative (STR), are exempt from Washington State accounting regulations, which apply to all other State offices (RCW 43.332.010).

Washington State law requires a budgeting and accounting system for “all activities of the state government” (RCW 43.88). However, a little known provision of Washington State law authorizes the STR to “...accept or request grants or gift from citizens and other private sources to be used to defray the costs of appropriate hosting of foreign dignitaries, including appropriate gift-giving and reciprocal gift-giving, or other activities of the office. The office shall open and maintain a bank account into which it shall deposit all money received under this section. Such money and the interest accruing thereon shall not constitute public funds, shall be kept segregated and apart from funds of the state, and shall not be subject to appropriations or allotment by the state or subject to [state reporting requirements]” (RCW 43.332.010). This allows the STR to receive donations and spend the money without reporting the income or expenditures.

A similar exemption for OIRP allows that office to receive funds from any source for hosting foreign dignitaries, gift giving and other functions of the office (Washington State Legislative Committee on Economic Development 2002).

APEX found no evidence of misuse of these accounts. In addition, the current Special Trade Representative has been transparent concerning these accounts. Though individuals currently managing these accounts may be handling them responsibly, the exemptions provide an opportunity for abuse by allowing two high-level State offices to take funds from any private source without a public record of who gave the money or where it was spent. This violates principles of good governance. These exemptions from State accounting requirements should be repealed. The public deserves a full accounting of funds received by public offices and how these monies may be used to influence or direct public policy.

VIII. Trade Trips and Elections

The Washington Secretary of State is an independently-elected official, with a mandate to monitor and certify all State elections, supervise the State archives, and register and license corporations and other business entities (Washington Secretary of State 2003a). Former Boeing employee Ralph Munro served a 20-year tenure as Washington’s Secretary of State until 2000. During this time, he spent a great deal of time traveling internationally promoting Washington state exports and developing foreign relations. These duties, however, are not an officially mandated function of the Secretary of State (Munro 2001).

While in office, Mr. Munro was an energetic promoter of agricultural, aircraft, manufacturing, timber and other Washington state exports (Munro papers). Based on the papers in Mr. Munro’s files, private companies provided him with significant coaching and talking points for speaking with foreign dignitaries. According to Munro, the trips were financed by Washington State, private businesses, personal funds and/or a combination of the three (Munro 2001).

While the number of trade trips Munro took is still under investigation, they probably numbered two dozen and were almost exclusively concentrated in East Asia. Mr. Munro never officially traveled to any nation in Africa, South America, South Asia, the Middle East, the Caribbean, Eastern Europe or Central Asia (Munro 2001). His efforts were focused on China, Japan, Western Europe, Canada, Korea, Russia and Taiwan. He remarked that he wanted to promote trade in poor countries, but that Washington state businesses were not interested (Munro 2001).

From the Governor to Port officials, trade junkets with private companies are a part of life for elected officials in Washington State. Though still constitutionally-mandated to be the State's top elections official, with no trade promotion mandate, the new Secretary of State, Sam Reed, has already been deployed abroad: "I'm afforded an extraordinary opportunity in the area of international trade. Because of belief in protocol overseas, elected officials are able to open doors worldwide by introducing Washington's key businesses to their overseas counterparts and heads of governments" (Secretary of State 2003b).

In the spring of 2002, United States Representative Adam Smith from Washington State traveled with Boeing to China (Wade 2002). APEX requested a copy of the complete itinerary of the trip. To date, it has not been provided. It is also not clear who financed Representative Smith's travel costs.

Representative Smith's trip occurred during a contentious Congressional debate concerning trade promotion authority, or Fast Track (CBS News 2002). Fast Track legislation grants President Bush extensive discretion in negotiating future trade agreements. Boeing supported the legislation (The Business Roundtable 2002) whereas public interest, social justice, environmental, labor, faith, women's rights, public health, and human rights groups opposed it (Global Trade Watch 2002b). Prior to the China trip, Smith voted against the Fast Track bill (Washington State Labor Council 2002). After the trip to China with Boeing Co., he voted in favor of the bill, and it narrowly passed with the support of Smith and two other swing Democrats (Global Trade Watch 2003). Boeing enjoyed uninterrupted access to Smith during the China trip. Opponents of the bill did not have such access.

IX. Public-Private Trade Promotion Alliances

Public-private trade promotion alliances composed of private companies and governmental members also raise questions about undue influence and the use of public funds. These private, often non-profit organizations, such as the Trade Development Alliance of Greater Seattle and Washington Council on International Trade, are partially funded by local and state governments (Steen 2001). The dues run in the tens of thousands of dollars. The City of Seattle pays \$95,000 annually to the Trade Development Alliance of Greater Seattle; King County pays \$90,000 and Snohomish County \$50,000 (Steen 2001). Despite receiving public funding, these trade alliances are not mandated to promote the public interest. Instead, they focus on the agenda's of

private corporate members. This includes lobbying the government (Trade Development Alliance of Greater Seattle 2003; Washington Council on International Trade 2003b). It is highly unusual for business associations that lobby government to be funded by the government.

The Washington Council on International Trade (WCIT) exemplifies these practices. In 2001, WCIT described itself as "...a private, non-profit, nonpartisan association comprised of private sector businesses, public sector and state government representatives that serve as a clearinghouse for information on international trade, and advocates for pro-free trade policies at the federal and state level" (WCIT 2001a). WCIT now states that it is "designed to serve as a portal to issues like poverty and sustainability, trade-related issues before Congress, and important information for workers, farmers, students, businesses, teachers and the public sector" (WCIT 2003a).

WCIT removed from its website all pro-free trade statements. Its membership, however, is still dominated by large exporters (WCIT 2003d). WCIT supported passage of Trade Promotion Authority (WCIT 2003c), despite opposition from some of its self-claimed constituents, like anti-poverty groups.

WCIT membership includes major state, regional and international corporate leaders, along with representatives of the Office of Washington's Special Trade Representative; the Washington State Office of Trade and Economic Development; the Ports of Seattle, Tacoma, Olympia, Longview, Everett; the Washington State Public Ports Association; Washington State University's IMPACT Center; and the University of Washington's CINTRAFOR Program (WCIT 2003d). Though they are funded in part by public funds, WCIT directly lobbies Washington's congressional delegation on trade issues and on behalf of its corporate members and engages in congressional lobbying trips to Washington, D.C. (WCIT 2003b). WCIT has testified before the U.S. International Trade Commission on behalf of the state's largest corporations (WCIT 2001b).

X. Disenfranchising the Public – Circumventing the Legislature

Washington State officials have supported NAFTA, the WTO, the accession of China to the WTO, and Fast Track legislation. They have lobbied 41 other Governors (see Table 1 for sources). These agreements and actions have implications for citizens in Washington State, and for Washington State law. For example, the WTO Services Agreement may allow other countries to advance the privatization of water, energy, and other services in the US (Global Trade Watch 2002a). Public utilities in Washington State that play a major, if not dominant, role in the provision of water and electricity could be greatly affected by this agreement.

Despite the importance of these issues, citizens have been excluded from state trade policy decisions. There has been virtually no public input into the lobbying positions of Washington State officials over the last ten years. This needs to change. Greater

dissemination of information, public discussion and transparent policy-making with public involvement is critical to effective decision-making.

The Washington State Special Trade Representative (STR) is the official conduit for communication between the State of Washington and the USTR (United States Trade Representative) and federal government on international trade agreements. The STR participates in regular conference calls with the USTR and acts as the State's single point of contact to this key office (Hamilton 2003). For six million Washington state citizens, the STR is their conduit for official state support or objections to international agreements and requested exemptions or exclusions. However, most citizens do not know that the STR exists. As the WSDA Trade Barriers (2003) report demonstrates, the voice of private exporters dominate the STR channel of communication with the Federal government (WSDA 2003b). The positions and concerns of Washington state citizens or various private sectors may differ greatly.

Washington State administrative procedures require a public review process for agency decisions that carry significant public implications. Public notification and an opportunity to comment on these decisions are critical. These types of public review procedures are currently absent with respect to Washington state input to the USTR (Hamilton 2003).

Trade is important. Trade agreements create binding laws that can conflict with standards established under the U.S. Constitution (National Association of Counties et. al 2002). Trade agreements have certainly proven highly controversial among Washington state citizens, as the 1999 Seattle WTO protests demonstrate. Given their constitutional magnitude and controversial nature, the decisions of the STR and the Governor concerning the State's position on trade agreements should be promptly subjected to a public notification and review process.

In addition, the STR should also be legally bound to consult the Legislature before developing and communicating the State's trade positions to the USTR. The lack of state legislative oversight was made painfully apparent at a public meeting of the House Committee on Trade and Economic Development where the Committee's Chair asked the departing STR "What have you been doing for the past three years?" (Washington State House Trade and Economic Development Committee 2001).

The lack of legislative oversight is disturbing because state legislative powers are being eroded by trade agreements. Laws, including a California State law that parallels a Washington State statute protecting drinking and groundwater quality, have been challenged via trade agreement provisions (Roosevelt 2002). The California, Washington and Oregon legislatures have all expressed concerns about trade agreements impinging on state sovereignty in correspondence with the USTR or Congress (People for Fair Trade 2002). The National Conference of State Legislators and the National League of Cities have sent letters expressing similar serious concerns (National Association of Counties et. al 2002). In order to prevent the further erosion of Washington's legislative

powers, it is critical that the Legislature is consulted in the development and communication of trade policies to the federal level.

XI. Boom and Bust Economics

Washington State is a highly export dependent state. The State also has the third highest unemployment rate in the US, and one of the greatest levels of inequality between rich and poor (US Department of Labor 2003a; Associated Press 2003).

Washington State's narrow trade focus on East Asia (18 of 21 Washington State overseas trade offices are in East or Southeast Asia) means that when East Asia does well, Washington State does well. When East Asia experiences an economic downturn, Washington State is down. The WSDA states, "a major factor in Washington's inability to recover market share in Asia is the strong U.S. dollar and the flagging Japanese economy" (WSDA IMP 2002a).

The apple industry illustrates the global volatility of agricultural markets and how two decades of Washington state export promotion can quickly be reversed. Once a global leader in apple production, the Washington state apple industry experienced dramatic competition from China in the 1990s (WSDA IMP 2002b). Between 1995 and 1998, Chinese imports grew by 1200% (WSDA IMP 2002b). Increased global production, combined with the Southeast Asian financial crisis and a fall in demand, dropped prices from a high of \$175 per ton in 1997 to \$10 per ton in 1998. As a result, nearly one-third of Washington state apple growers went out of business (WSDA IMP 2002b).

Apples are not the only commodity that experiences dramatic boom-bust cycles. Producing 74 million pounds of berries at a value of \$36.9 million (Washington Agricultural Statistics Service 2003), Washington State leads the nation in red raspberry production (Washington Agricultural Statistics Service 2001). Chilean raspberry imports, however, have risen from 4.2 million pounds in 1998 to 8.7 million pounds of raspberries in 2001 (The Olympian 2002). Meanwhile, wholesale per pound prices fell from a peak of \$1.30 in late 1999 to 97 cents last fall (The Olympian 2002). For Washington state raspberry farmers, this is bleak news. Focusing on this agricultural diversity, rather than promoting a few, export crops may lead to greater stability and income.

XII. Selective Trade: State Targets only a Few Trading Partners

Washington State's focus on few trading partners and global investment trends indicate that the benefits of trade and investment may be increasingly concentrated in just a few countries. This raises the specter that not all nations are seeing the benefits of trade and investment. The trade theory of comparative advantage promotes the idea that all countries benefit under free trade. Another trade theory, absolute advantage, predicts that investment and trade will flock to few countries, and some countries will be worse off

with free trade. Under absolute advantage, only a few countries capture most trade benefits.

Washington State government and export industries do focus on a few select trading partners. As discussed in the Introduction and Sections VI and VIII above, most countries in Africa, Asia and Latin America are ignored, except as the focus of collaborative Washington State-USTR efforts to remove trade barriers. State international trade offices are crowded into East Asia. The WSDA's International Marketing Program exclusively focuses on East Asia, Canada, Mexico and Europe. Former Secretary of State, Ralph Munro, kept complete files on his 20 years of work, with several file cabinets devoted to China and only one thin file folder with six pages referring to trade with nations in Africa and no apparent follow up (Munro papers).

Free trade rhetoric promises gains in wealth for all nations. The global trade reality is better reflected by the fact that Washington State, although a self-professed free trade state, sponsors many subsidies and targets only seven trading partners. Washington State trade institutions largely ignore over 150 countries.

Trade follows investment, and global investment is also flocking to the few. In 2001, 62% of all private foreign direct investment (FDI) to developing nations went to just four countries: China, Mexico, Brazil, and Poland. While 49 of the world's poorest and least developed countries (LDCs) received only 0.5 percent of the global FDI total in 2001 (Oxfam 2003a).

Free trade is based on the idea that by specializing and trading, countries increase production, trade and economic growth. Regardless of how good one's production systems are relative to those of other countries, specialization and trade will benefit all countries, and no country will be worse off. This "comparative" advantage is the core of the theory of comparative advantage and the global advocacy for free trade (Cobb and Daly 1989). Yet, evidence is mounting that not all nations gain from free trade, even when they have liberalized trade and investment. The Philippines is a clear example.

Washington State's pattern of exclusive engagement and the flood of investment to few countries support a different, less optimistic trade theory. This is coupled with the fact that the theory of comparative advantage has at least one false assumption: that capital and investment are not mobile. It assumes that investors are restricted to their countries of origin. In a world of freely mobile capital, the theory of comparative advantage falls apart. Investment and trade flow away from countries with a "comparative advantage" and to those countries that possess an "absolute advantage" in production. China, for example has cheap educated labor, resources and good infrastructure. In comparison, Chad has poor infrastructure, illiterate people, and few resources. Even if wages go to zero and liberalization is further advanced in Chad, all investors and traders across all product categories, will prefer China, unless their investments are restricted to Chad. That is absolute advantage (Batker and de la Torre 1999).

Under absolute advantage, a few countries are big trade and investment winners; the bulk may be trade losers, worse off with “free trade” than without it. Our international trade institutions, like the WTO are based on the assumption that comparative advantage and “free trade,” not absolute advantage, are the way the world works. It is time to think twice about the reality of trade and the goals of trade policy at the state, national and international levels.

XIII. The APEX Position on Trade

Trade is as old as human culture. From Stone Age beads to microchips, trade sits at the core of human society. Trade is currently at its zenith in human history. Every nation on earth engages in trade, yet our theories, concepts, measures, and trade institutions are grossly simplistic and inadequate.

Comparative advantage, the economic theory behind the “free trade” philosophy, assumes capital immobility, a state that no longer exists. Trade debates are largely cast in the false dichotomy of free trade vs. protectionism. This narrow focus misses the critical issues central to trade today, such as food security, environmental destruction, economic development and democracy.

Holding the public interest as a central policy goal is critical. Traders always gain profits from trade, but other people and society may lose. Traders gained from the slave trade, but at the cost of people’s freedom. Who benefits and who pays needs to be carefully examined in trade. Trade should be democratically governed and based on public interest, equity, poverty eradication, ecological sustainability and economic development and efficiency. APEX is highly critical of the World Trade Organization and other trade agreements (please refer to www.a-p-e-x.org for access to publications). If we are to achieve these goals, however, international trade must be freer in some areas, locally regulated in others, and altogether banned in some sectors.

Banning Trade: Slaves, Toxic Waste, Nuclear Weapons

Trade should be banned where the actual or potential social, ecological or economic damages outweigh the benefits. Areas where trade should be or already is banned include: slaves, nuclear weapons, toxic waste, CFCs and endangered species. In each area, if trade were not banned, profits would be made. The human rights violations, and social and environmental harms, however, outweigh the benefits of trade to traders. The example of the slave trade justifies banning slavery and the trade in slaves altogether. Income is lost, but enslaved people and society as a whole benefit tremendously.

APEX has examined the trades in toxic and electronic waste in detail (refer to www.ban.org for more information). The trade in toxic waste literally dumps toxics on the poorest, most powerless communities, damaging their health and environment. Traders in toxic waste gain, but communities receiving toxic wastes lose. When companies that produce toxic waste are required to pay for the full destruction or clean disposal of the waste, preferably on site, it creates the right financial incentives to shift to

cleaner technology. This not only eliminates potential health and environmental damage, but also increases economic efficiency.

Highly Regulated Trade: Fisheries, Forests, Agriculture

In cases where opportunities for plunder occur, or the potential for catastrophic ecosystem collapse exist, or where food security is at risk, trade must be strictly regulated. These areas include fisheries, forests and agriculture.

Global fisheries, for example, have been over-harvested for export and overfished by migratory foreign fishing fleets (United Nations Department of Public Information 1997). These practices have had a serious impact in West and South Africa, in North America, and more recently in the global tuna fisheries (Judah 2001; Walton 2002).

Forests provide a broad array of ecological services, and losing them entails decades and even centuries of increased costs. The Philippines and Thailand, once major timber exporters, are now importers of timber (Enters 2001). Suffering from the loss of forest ecosystem services due to flooding, storm damage, landsliding, siltation, and declining fisheries, are just some of the costs these countries are paying as a result of large-scale forest destruction. Local economies, environmental sustainability, and social well-being are left devastated (Enters 2001).

It is imperative to halt the sort of trade that perpetuates the unsustainable plunder and destruction of renewable fishery or forest ecosystems. Damage to ecosystems and to resource-dependent communities when these ecosystems collapse increases poverty and costs to future generations.

The trade in agricultural products is a special case and must be carefully considered. In countries with food shortages, food imports are vital for food security. Free trade in food may lower prices for urban dwellers and reduce urban hunger. On the other hand, reductions in rural incomes and jobs due to food imports may increase hunger on a greater scale. In addition, dependency on food imports leaves a country's food security susceptible to volatility in exchange rates, monetary policy and global food markets. Food security and stability in poor countries must take precedence over trade and agricultural income gains in wealthy countries. The dumping of below cost agricultural products from rich to poor countries should be halted. Export subsidies and trade barriers in wealthy countries should be removed, while protections for food security, even if it means some trade barriers or subsidies, should be allowed in poor countries.

Greater Free Trade: Information

Where the social, environmental, and economic impacts of trade are positive, greater free trade in goods and services can bring about vast economic gains. The elimination of private monopolies is always good. Public utilities can be most economically efficient where there are natural monopolies, such as the provision of energy and water.

With respect to information, greater free trade is needed. Information is a public good, that is, if one person has information it does not prevent another person from having the

same information. An apple is a private good. One person eating an apple prevents another person from eating that same apple. Greater provision of public information increases market efficiency. Free information increases wealth and provides greater equity, fostering competition and economic efficiency.

Monopolies are the enemy of economic efficiency. Patents are monopolies on information. Fully 85% of patents are owned in the United States, Europe, and Japan (Agência Brasil 2003). By reducing patent lengths or eliminating some patents altogether, any company in any nation could produce goods and services, rather than only the monopolist or those that pay royalties to the monopolist. Global benefits would be greatly increased.

For example, the WTO decision in Doha (long resisted by the US) to allow developing nations to produce malaria, tuberculosis, and AIDS drugs without paying patent royalties reduces the cost of these drugs greatly, and will save tens of millions of lives (Oxfam 2001). The social and economic benefits gained from free trade in information and the production of these drugs is tremendous. On a larger scale, the easing or elimination of patent monopolies could increase global wealth substantially. In addition, evidence demonstrates that freeing patent information actually accelerates innovation. Allowing more companies, universities and individuals access to greater information and knowledge advances research effort, and this results in faster technological and product development (Public Citizen 2000). Unfortunately, the WTO Agreement on the Trade in Intellectual Property Rights supports monopolies on information and is fundamentally anti-free trade, stifling economic innovation, fostering monopoly power, inefficiency and reduced benefits from trade (Oxfam 2001).

A Framework for Sustainable Trade

Trade provides economic benefits. It is important to remember, though, that these benefits cannot be assumed. They must be demonstrated. Without sufficient safeguards, “free trade” provides strong competitive incentives to plunder the environment and communities. International trade markets, like any market, need regulation to achieve greatest efficiency and benefits. These rules need to be enforced. If wealthy countries can cheat while poor countries abide by the rules, increased poverty imbalances and social unrest will ensue.

Four principles should be considered to ensure trade is in the public interest:

1. *Ecologically Sustainable Scale*: Trade must not destroy the basic life support systems and environment upon which the economy and human well-being are based.
2. *Just Distribution and Opportunity*: International trade should be governed such that it promotes increased opportunity and reduces the gap in wealth within and between nations. In addition, future generations should not be left with irreversible damages, like ozone layer destruction or species extinction.

3. *Economic Efficiency*: Well-regulated markets function well and promote development. Trade should promote efficient uses of resources and increase wealth and economic opportunity.
4. *Democratic Decision-Making*: Trade has not been an area of democratic governance. Trade institutions should be transparent, with relevant documents published well in advance of decision meetings. The public should have as much or more access than vested interests.

XIV. Conclusion and Suggested Policy Solutions

Trade is important to the economic and social well-being of Washington State and the rest of the world. Improving State trade policy so US citizens and the global community receive benefits from trade is critical. It is time for citizens and the Washington State Legislature to be more active participants in trade policy and guided by the public interest. Increased participation is critical at the national level as well.

Trade Secrets reveals that Washington State officials have been expounding on the benefits of the free trade model, while implementing a different model of export subsidies and supports. Washington State needs to adopt trade policies that are in the public interest. Our recommendations for improving trade policy are outlined below.

State Trade Policy Positions and Accountability

1. Official State positions on international trade agreements should be discussed publicly and approved by vote in the State Legislature.
2. All private donations to public offices for trade promotion and how these funds are spent should be reported under State law.
3. Official state travel for trade trips should have complete public accounting detailing sponsors, donations and expenditures during the trip, as well as a full record of trip activities.

Tax Exemptions

1. A review of all 431 Washington State tax exemptions should be conducted.
2. Tax exemptions that are antiquated, violate state, national or international law, do not demonstrate clear public benefits, or are specific to only a single producer or company should be eliminated.
3. Tax exemptions that provide substantial public benefits, or are required by the State Constitution should be retained.
4. Tax exemptions to private companies for job creation within the State must

require the beneficiary to demonstrate the amount and types of jobs created and the public benefits provided by the tax exemption.

5. Tax exemptions are equivalent to budget expenditures. All tax exemptions should be approved every two years as part of the State budget process.

Agriculture and Trade

1. Building food security in Washington State, the US, and globally should be a primary goal of agricultural policy.
2. Dumping of agricultural products below cost, both from abroad into the US, or from the US to other countries, should be prohibited and enforced.
3. Subsidies should not be exclusively focused on the largest farms, a few specific crops, or production levels. Subsidies should encourage better farming, the reduction of negative environmental and social impacts, the production of healthier food, income protection and disaster relief.
4. Subsidies provided should be progressive, benefiting smaller farms more than larger farms. This builds greater equity and assists in keeping more producers in the market, improving economic efficiency.
5. The Washington State Legislature, public and farming community should be appraised of and have an opportunity to oppose or support positions that the USTR takes into international negotiations.
6. Washington State should have a representative on the USTR Advisory committees on agriculture and other areas that affect Washington State. These meetings should be public.
7. Washington State should review the list of agriculture export subsidies and subsidies that could be interpreted by a WTO dispute panel as agriculture export subsidies. The State should examine the potentially damaging effects on Washington State agriculture of WTO decisions removing these subsidies. Washington State should not take a position on the elimination of subsidies in the WTO or support the USTR position until these potential effects are understood.

Washington State and the Removal of Foreign Trade Barriers

1. The State effort should focus on removing trade barriers to agricultural goods in Europe, Japan, and Australia – wealthy countries where food security is not a critical issue.

2. State efforts to target foreign agricultural trade barriers for elimination in developing countries must include an analysis of the impacts on farmers, farmer's incomes, food security and national security within the targeted country. Only by examining the effects of removing trade barriers can we know if food security, incomes, political stability and public interest is strengthened or weakened by Washington State trade policy.

Washington State Exemptions from International Trade Agreements

1. Suggested exemptions from international trade agreements should be the subject of public discussion and approved by the State Legislature. The impact on other countries and other Washington State sectors should be considered.

Public-Private Trade Promotion Alliances

1. All public-private trade promotion alliances should be reviewed and measured for public benefits.
2. Public agencies should withdraw from trade promotion alliances that lobby government or do not pursue a clear public benefit.

Appendix 1. The Washington State Trade Promotion Bureaucracy

The Washington State Governor

The Governor conducts trade trips and promotes exports in meetings with foreign officials. Under the Governor is the **Office of International Relations and Protocol (OIRP)**. OIRP is charged with making international relations and protocol a broad-based, focused and functional part of state government (RCW 43.290.005 et seq). The OIRP hosts foreign visitors and helps set up trade trips for the Governor and other officials.

The Washington State Special Trade Representative

The Washington State Special Trade Representative (STR) is appointed by and reports to the Governor, but is housed under the Department of Community, Trade and Economic Development (Hamilton 2003). While this position is currently vacant, the Governor's Advisor on Trade Policy informally fills several of the STR's functions (Hamilton 2003). The Washington State Office of the STR is a primary point of contact for trade information and state communication with the USTR on state trade issues and international trade negotiations (Hamilton 2003).

The Department of Community Trade and Economic Development

The Department of Community Trade and Economic Development (CTED) maintains more than ten offices and programs within the Washington State Office of Trade and Economic Development (OTED)(Washington State Department of Community Trade and Economic Development 2003). These offices provide many services for exporters at state expense (OTED ITD 2003c).

Washington State Office of Trade and Economic Development (OTED)

Within OTED, The International Trade Division (ITD) carries out trade assistance and promotion activity. ITD organizes international trade trips, trade shows, conferences and one-on-one appointments promoting Washington State products overseas (OTED ITD 2003c). Other ITD services include business matchmaking, market intelligence, and export finance referrals (OTED ITD 2003c).

OTED and ITD maintain ten International Business Assistance Programs to aid Washington State exporters. These programs provide specific long-term assistance to some industries, such as the aerospace industry (Boeing) as well as general training, market intelligence, and assistance with business, political connections, and foreign buyers to a wide variety of exporters.

Market Intelligence Institutions

A number of Washington State institutions are charged with providing market intelligence to exporters. One such institution is the International Trade Division (ITD) of OTED. The services provided by ITD include:

- Identifying potential markets and purchasing partners;

- Providing general, product-specific and financial market information;
- Researching technical information on foreign market product standards, labeling and product certification;
- Providing information on foreign market tax, investment, labor, intellectual property, and other laws;
- Providing information on foreign market customs regulations and procedures;
- Providing training on foreign market business culture and social etiquette;
- Counseling businesses on international marketing, distributor qualification, joint venture structures, export and project financing and other issues;
- Organizing Washington State business missions to targeted foreign markets;
- Organizing the participation of Washington State businesses from targeted sectors in international trade shows;
- Organizing incoming foreign buyers missions and arranging one-on-one meetings between foreign buyers and Washington State businesses;
- Organizing export training workshops and seminars for Washington State businesses;
- Advocating on behalf of Washington State businesses with foreign governments and multilateral development banks;
- Providing protocol support for foreign government officials residing in or visiting Washington State.

Source: OTED ITD (2001; 2003)

Other institutions also providing extensive, up-to-date market intelligence to exporters include the Washington State Department of Agriculture (WSDA 2003c), state university-based programs (Washington State University Cooperative Extension 2003) and federal programs (USDA Foreign Agricultural Service 2000). Some of these services are duplicative

The Export Finance Assistance Center of Washington

The Export Finance Assistance Center of Washington (Center) provides guidance to Washington State businesses regarding structuring payment terms and accessing export-related financing (OTED ITD 2003a). The Center does not lend money or provide financial guarantees, but instead works to assist Washington State businesses in arranging financing including loans from private and public financing sources, such as the US Export-Import Bank, Small Business Administration, Department of Agriculture and Overseas Private Investment Corporation (OTED ITD 2003a).

Community Economic Revitalization Board (CERB)

The Community Economic Revitalization Board (CERB) is a state program that finances public infrastructure for private company use. CERB “provides low-interest loans or in unique circumstances grants to local governments to help finance the construction of public facility projects required by private sector expansions and job creations” (CERB 2003a). Infrastructure funded by this program must either serve basic industries or businesses that substantially support the trading of goods and services outside Washington State’s borders (CERB 2003b). CERB was unable to specify what portion of

these funds is used to support basic industries and what portion is used for businesses that substantially support the trading of goods and services outside the State's borders.

International Trade Missions

These missions, conducted by political officials, State officials and private companies work to sell Washington State products. Based on information contained in Ralph Munro's files (Munro papers) and on the state and private trade promotion websites cited in this document, we estimate there have been at least several dozen trade missions conducted by various State officials over the last ten years. These trade missions have included or been supported by OTED, WSDA, the Port of Seattle, as well as the Governor, Lieutenant Governor and Secretary of State.

Center for International Trade in Forest Products (CINTRAFOR)

One of many state university trade promotion centers, the Center for International Trade in Forest Products (CINTRAFOR), is an applied research center within the University of Washington—College of Forest Resources. CINTRAFOR advances Washington State forest product exporters by “collecting and distributing information on rapidly changing foreign markets, including consumption trends, distribution channels, trading systems, codes/standards and the regulatory environment; applying research findings to technical, environmental, economic, social and resource management problems that impede exports of specific products; training forest product professionals by providing funding for graduate level research on the international trade in forest products” (CINTRAFOR 2003a). CINTRAFOR research includes country market analyses, global trade models, new product and market opportunities, linkages between global forest products trade, environmental impacts and social stability, and policy impact analyses (CINTRAFOR 2003b). It is funded through a combination of sources including State funds (Lippke 2000).

Ports, Roads and Navigable Waters

As documented above, public fiscal support for the development of port and transportation facilities to move freight is vast. The steep advantages of exporters in the US over competitors in developing nations - where transportation and port facilities are poor - throws into question the theory of free trade. Currently, wages in Chad or Niger are less than \$1/day. Even if these wages fell to zero, the difficulty and cost of simply moving agricultural goods to a coastal port for export makes the cost of these goods uncompetitive. In addition, whereas Washington State is spending money to develop better freight transportation facilities, Chad, Niger and other poor countries do not possess government support and cooperation for advancing transportation infrastructure.

As stated above, the theories of free trade and comparative advantage profess that all nations should gain from trade. In reality, we appear to be seeing the abandonment of investment and trade in areas of the world like Chad and Niger, while investments, trade, and infrastructure construction flood to a few countries, such as China and Malaysia. A quick review of ports, roads, rails, airports, river navigation projects and freight transportation improvement projects in Washington State shows that the provision of transportation infrastructure, often publicly funded, is another form of subsidy for exports

and exporters. For example, the dredging of the Columbia River primarily benefits wheat exporters, who do not pay for the costs of the project. This is not to argue against port and infrastructure improvements, but to point out that poor countries are at a great competitive disadvantage in trade due to a lack of infrastructure.

Washington State has 76 public port districts (Washington Public Ports Association 2003). Each district has broad authority to levy property tax; sell general obligation and revenue bonds; acquire and operate toll bridges, tunnels, railroads, and some highways; improve, lease and sell district lands and buildings; construct, improve and maintain harbor improvements and alter navigable and non-navigable waters; create and maintain foreign trade zones; acquire, build and operate airports; promote and advertise facilities and services to attract new industry, and expend funds for “promotional hosting” that attracts trade and industry (League of Women Voters 1992). Some of the ports maintain an extensive network of overseas offices (Port of Seattle 2003; Port of Tacoma 2003c). There are 31 airports operated by Washington State public ports (Washington Public Ports Association 2003).

The Ports of Seattle and Tacoma are among the largest ports in the United States (Washington Public Ports Association 2003). Port expansion is continual and includes port facilities, road development, rail and airport expansion (Port of Tacoma 2003b; Port Technology 2003). The Port of Tacoma now moves half of all rail cargo by direct ship-to-rail and rail-to-ship loading with capacity increasing (Washington Public Ports Association 2003).

The Washington State Department of Transportation (DOT)

The Washington State Department of Transportation (DOT) is involved in several projects focused specifically on improving freight mobility, including the Freight Mobility Strategic Investment Board, the International Mobility and Trade Corridor Project and the Freight Action Strategy.

The **Freight Mobility Strategic Investment Board (FMSIB)** “was created by the Legislature to advocate for statewide freight needs without regard to jurisdictional boundaries, recommend strategic freight mobility projects to be funded on a prioritized basis, and work with project sponsors to develop strategic freight corridor solutions” (FMSIB 2000). For projects to qualify for support from FMSIB, the project must be on a strategic freight corridor and must be primarily aimed at improving freight movement with only incidental benefits to general or personal mobility or primarily aimed at mitigating the impacts on communities of increasing freight movement (FMSIB 2000). Currently there are 52 primarily road and rail projects listed, which, if fully funded, would cost \$1.7 billion dollars to complete (FMSIB 2003).

The International Mobility and Trade Corridor Project

The International Mobility and Trade Corridor Project (IMTC) is a joint project including local governments, DOT and the Canadian Government to improve freight movement across the Washington State-British Columbia border (Whatcom Council of

Governments 2003a). The Washington State Department of Transportation is an active participant (Whatcom Council of Governments 2003b).

The Freight Action Strategy

The Freight Action Strategy (FAST) is a project focused on improving freight movement between Tacoma, Seattle, and Everett, Washington. Of 15 planned projects, five have been completed, three are under construction and the rest are in planning stages (DOT 2003). How State funding should be split between freight movement and improvements for cars and public vehicles has not been a subject of public discussion.

The Columbia River Channel Deepening Project

The Columbia River Channel Deepening Project is a project to increase barge movement capacity by dredging the Columbia River primarily to reduce the cost of barging grain down the Columbia River for export. Grain exports are expected to increase in the lower Columbia River to 15.5 million tons and in the upper Columbia to 6.6 million tons by 2020 (Washington Public Ports Association 2003). The increase in the upper Columbia would nearly triple current grain exports down that portion of the Columbia River. The Federal Army Corps of Engineers will conduct the dredging and fund most of the \$134 million project with Washington State expenditures of \$17.7 million in 2002 (Linn 2003).

Appendix 2. Additional explanatory notes to Table 4 (Washington State Department of Revenue Export Tax Exemption Analysis)

	Exemption	RCW Citation	Notes
1	Ships/Vessels Under Construction	84.36.079	
2	Cargo Containers	84.36.105	
3	Christmas Trees and Cottonwoods	84.33.170	90% exports from Pacific Northwest Christmas Tree Association, 503-364-2942
4	Seafood Processing	82.04.120	
5	Agricultural Production	82.04.330	Includes Poultry – 82.04.410
6	Christmas Trees	82.04.330	And 82.04.100, 90% exports from Pacific Northwest Christmas Tree Association, 503-364-2942
7	Seed Conditioning	82.04.331	
8	Grain Wholesaling	82.04.332	
9	Exported Processed Hops	82.04.337	
10	Food (Agricultural) Processing	82.04.260	<i>Exemption Study</i> splits out crops. Not specifically intended as export aid, but legislature is aware that most Ag. products are exported and face stiff competition.
11	Charter & Freight Brokers	82.04.260(8)	
12	Stevedoring	82.04.260(9)	
13	Research and Development	82.04.4452	Beneficiaries tend to produce manufactured products, many of which are exported.
14	International Services	82.04.44525	
15	Help Desk Services	82.04.4457	Rural counties only – 50% exports is purely a guess.
16	Shipments to Ports	82.16.050(8)	
17	Ocean Marine Insurance Rate	48.14.020(3)	
18	Tuna, Mackerel, and Jack Fish	82.27.010	Not specifically intended as export aid, but legislature is aware that most fish is exported.
19	Differential Fish Tax Rates	82.27.020	
20	Agricultural Services for Farmers	82.04.050	<i>Exemption Study</i> splits out services. Not specifically intended as export aid, but legislature is aware that most Ag. products are exported and face stiff competition.
21	Christmas Trees	82.04.213	90% exports from Pacific Northwest Christmas Tree Association, 503-364-2942
22	Breeding Livestock and Cattle	82.08.0259	And 82.12.0261. Not specifically intended as export aid, but legislature is aware that most Ag.

			products are exported and face stiff competition.
	RCW Citation	Notes	Exemption
23	Poultry	82.08.0267	And 82.12.0262. Not specifically intended as export aid, but legislature is aware that most Ag. products are exported and face stiff competition.
24	Semen	82.08.0272	And 82.12.0267. Not specifically intended as export aid, but legislature is aware that most Ag. products are exported and face stiff competition.
25	Pollen	82.08.0277	And 82.12.0273. Not specifically intended as export aid, but legislature is aware that most Ag. products are exported and face stiff competition.
26	Fish Feed (aquacultural)	82.08.0294	And 82.12.0294. Not specifically intended as export aid, but legislature is aware that most Ag. products are exported and face stiff competition.
27	Leased Irrigation Equipment	82.08.0288	And 82.12.0283. Not specifically intended as export aid, but legislature is aware that most Ag. products are exported and face stiff competition.
28	Livestock Feed	82.08.0296	And 82.12.0296. Not specifically intended as export aid, but legislature is aware that most Ag. products are exported and face stiff competition.
29	Fruit & Vegetable Packing Materials	82.08.0311	And 82.12.0311. Not specifically intended as export aid, but legislature is aware that most Ag. products are exported and face stiff competition.
30	Manufacturing Machinery & Equipment	82.08.02565	And 82.12.02565. Not specifically intended as export aid, but manufacturing exports are generally thought to be desirable.
31	Prototypes of Aircraft Parts	82.08.02566	And 82.12.02566. Small firms only. Not specifically intended as export aid, but the vast majority of aircraft parts are exported.
32	Anodes and Cathodes	82.08.02568	And 82.12.02568. Not specifically intended as export aid, but the vast majority of aluminum is exported.
33	Film & Video Production Equipment	82.08.0315	And 82.12.0315. Not specifically intended as export aid, but the export of motion pictures is thought to be desirable
34	Warehousing Remittance	82.08.820	Import + Export percent = 37.6%
35	Items Used in Interstate Commerce	82.08.0261	
36	Interstate Transportation Equipment	82.08.0262	Unlikely to be realized.
37	Vehicles in Interstate Commerce	82.08.0263	And 82.12.0254. Unlikely to be realized.
38	Vehicles Sold to Nonresidents	82.08.0264	Unlikely to be realized.

	RCW Citation	Notes	Exemption
39	Watercraft Exports	82.08.0266	Out of state buyers would buy less if the tax were imposed.
40	Farm Equipment Exports	82.08.0268	Out of state buyers would buy less if the tax were imposed.
41	Sales to Alaska/Hawaii/Territories	82.08.0269	Unlikely to be realized.
42	Items Sold to Nearby Nonresidents	82.08.02791	Out of state buyers would buy less if the tax were imposed.
43	Commercial/Other Aircraft Fuel	82.42.030	Assuming 99.5% is apportioned out of state.

Source: DOR 2001

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