

MS. DAVIS: Thank you very much, Mr. Chairman. My name is Patricia Davis. I'm president of --

COMMISSIONER LEWIS: I'm sorry, Patricia. Excuse me. Let me tell you the ground rules. Each person will have seven minutes. And there's a little light right here. And it will be green when it starts, right here on this head table, and at the two-minute warning it will flash yellow and then I'll tell you it's two minutes, and then we'll hope you'll finish by seven minutes. I mean, if each one takes seven minutes, then we'll have questions for the panel. Excuse me and I'm sorry.

MS. DAVIS: That's fine. You probably know that I'm an elected member of the Seattle Port Commission and as such would probably talk too much, plus I'm a woman, so double jeopardy.

COMMISSIONER LEWIS: I was on the Port Commission of Portland for a long time.

MS. DAVIS: Right. I'm very privileged to participate in this hearing today. The Washington Council on International Trade is a non-profit, non-partisan association of interests in trade. Since it's founding in 1973 we have worked to promote the understanding of the importance of trade and to support public policies favorable to expanded trade.

Our council is the nucleus in generating community support for Seattle's proposal to hold the World Trade Organization ministerial here. We're now at the point where we're saying be careful what you ask for, you might get it. That was off the record.

I'm neither an economist nor a lawyer, so I apologize if my remarks are not technical or sophisticated. We do operate in the real world of trade, however, and in the most trade-dependent state in the nation, which you have probably heard all day long.

So how the public perceives trade and trade balances and trade issues is absolutely critical to our future prospects for a better life both here and abroad. Actually, I'm down in the weeds dealing with these public perceptions and misperceptions about trade and trade figures, and with our members' concerns. And I'm down in the mud wrestling with the protestors at the moment.

I have three basic points to make. One, trade is a two way street. We must import in order to export. We must buy in order to sell. We desperately need people to understand that.

Secondly, we plead for our representation from our government about trade and export-import balances that explains the entire picture of trade, not

just merchandise trade figures which show a large deficit, as was pointed out just a few minutes ago.

Thirdly, continuing to expand markets is a way out of trade imbalances, and the news yesterday of the breakthrough on China's accession to the WTO is exactly what many enterprises engaged in trade have been looking forward to.

First, trade is a two way street. Because Washington State is the most trade dependent in the U.S. and because trade is so much a part of the every day fabric of our lives, most people here understand that trade is a two-way affair. We can't export unless we import, and vice versa.

As the President said recently, the U.S. has four percent of the world's population, 96 percent are somewhere else, and if we want to retain the 22 percent higher wages that we enjoy, we have to continue this important trade relationship.

U.S.-Asia trade is critical to our state's economy. Of the \$110 billion in two-way trade in 1998, \$82 billion was with the APEC economies. The importance of Asian trade was evident during the Asian financial crisis. Washington State was the beachhead of the first assault. Agricultural and wood products and fisheries were affected immediately. Boeing's orders took a downturn soon thereafter. But

thankfully, the U.S. did not isolate itself. We continued to purchase Asia's exports. Our trading partners are getting back on their feet and they are beginning to be able to buy more of our products. We helped them stabilize the economies of some very important Asian countries.

We are aware here that our exports need inputs, many of which come from elsewhere. Forty percent, as we know, of the imports that we import are factors of production for our exports. The trouble is many citizens around the country do not understand this.

For instance, here Microsoft's computer programs are run on chips made in Asia. Bauxite must be imported to make Kaiser's aluminum that's needed for Boeing aircraft. Resistors for measuring instruments made by the Fluke Company come from Brazil and integrated circuits from Japan. Aircraft engines come to Boeing from the UK. Fish processing equipment installed in the factory trawlers is made in Germany. Coffee beans for our famous coffees are grown in Central and South America. Coffee machines for Starbuck's coffee houses come from Italy.

The largest category of goods imported into the U.S. is capital goods and industrial supplies to support U.S. industry. If imports are curtailed we put

ourselves at risk. Prices of inputs go up, causing higher prices for our companies' exports and domestic sales. Small and medium sized businesses can least afford this. It can rapidly make them non-competitive in lucrative markets abroad, or just put them out of business.

In King County, where Seattle is, there are 62,000 companies with less than 500 employees, an increase of 26 percent since 1990. Twelve thousand three hundred of them, representing 112,000 workers, are doing international business. Ten point seven billion dollars of their revenues are due to trade. Of them, 35 percent of those that import, three out of four also export.

They import machinery, electronics, and raw materials for their production processes and for retail goods to resell. These firms, just like large companies, look forward increasingly to an expanding global marketplace for survival and success. Interference in the form of import restrictions would be extremely harmful.

The second point is for a need for a better portrayal of the U.S. trade picture. I'd like to plead with you for a more realistic portrayal of the country's trade picture. The Department of Commerce issues monthly figures that turn into sensational

headlines that paint a distorted picture and scare all of us.

Even Secretary Daley himself said that when the figures get high enough, they turn into a political problem, which could turn into an economic problem. We do not understand the differences between merchandise trade amounts, current account figures, or the entire trade balance that is a balance because it includes not just goods and services purchased by us, but the investments that flow back into the country from our trading partners.

That is why we hope that we will be able to get a better picture painted for us so that we can understand it better and not react in a way that would effect trade policy in a negative way that would effect our ability to trade.

What do we do to readdress trade imbalances? As I suggested here that the topic is U.S.-Asia trade and market access today, or at least this afternoon, and that is exactly the answer to a better balance between imports and exports. The news we received just yesterday about the breakthrough in China's accession to the WTO reinforces that.

Our economy is generally more open than most. Opening China's vast markets will mean countless opportunities for U.S. exports. We have everything to

gain. It will further the strong expansion we've been experiencing, especially in high wage, high productivity industries. It is the result of, and reinforces the need for maintaining open, equitable, barrier-free trade policies, and it counters isolationist pressures.

Our state's impressive trade picture is possible only because someone is ready to accept our exports as their imports. And our imports, which we can buy because we have sold, improve our standard of living. The same is true for the people of all nations.

As a microcosm of the U.S. economy, Washington state looks forward to vigorous, two-way trade for its well being. To this end, we advocate trade policies and perceptions about trade that support open markets and foster strong ties to the world economy. That is why I hope that my remarks about the inclusion of the importance of two-way trade, the total two way trade equation, the plea for a balanced portrayal of trade in investment figures, and the necessity for policies that promote market access and expanded trade will be helpful as you develop your report. Thank you very much.

COMMISSIONER LEWIS: Thank you very much for your presentation.

Mark Weisbrot.