



**WASHINGTON COUNCIL
ON INTERNATIONAL TRADE**
Background Information

PATRICIA DAVIS

Patricia Davis is President, Washington Council on International Trade, a private non-profit trade policy organization that promotes understanding of the importance of trade.

Davis is also an elected member of the Seattle Port Commission, first elected in 1985. She has served as Commission President in 1989, 1990, 1994 and 1999.

At the Washington Council on International Trade, Davis oversees trade information and trade expansion efforts. Activities include public programs featuring authorities in trade, summer seminars for teachers, and provision of information on trade policy issues for decision-makers at state and national levels and for the public and the press.

Davis played a key role in bringing the World Trade Organization's 1999 Ministerial meeting to Seattle.

During Davis' tenure at the Port of Seattle, the Port has set trade records in the Seattle harbor and at Seattle-Tacoma International Airport. She has been a force in the Port's development of a long-term strategic plan and construction of modern facilities for movement of cargo and people. She was involved in planning for development of central waterfront properties and enhancements for the fishing and agricultural industries.

She has taken an active role in the Port's successful efforts to reduce airport noise and to clean up polluted industrial sites, returning them to productive use.

Davis has worked to establish partnerships between the Port and community, business and government organizations. She also has fostered education of school children and their teachers about the importance of trade, through endeavors such as the Port's Sea-Air School.

Davis serves on the Board of Governors for the National Center for Asia-Pacific Economic Cooperation (APEC), and is an Executive Board member on the Puget Sound Regional Council. She is a founding member of the Pacific Council on International Policy, a member of the Bellevue Chamber of Commerce and the King County International Trade Board.

She formerly served on the boards of the Seattle-King County Economic Development Council, Puget Sound Ports Group, Trade Development Alliance, Bellevue Summit, National Cruise Ship Alliance, International Women's Conference, North Seattle Community College International Trade Institute and Seattle University Albers School of Business.

As the first woman to be elected to the Seattle Port Commission, and its first woman president, and the first woman to be chosen as the President of the Washington Council on International Trade, Davis hopes to raise the visibility of women in non-traditional positions.

Davis was born and raised in Washington State, the daughter of an apple rancher. An honors graduate of Stanford University, she holds a Master's degree in history from the University of Washington. She and her family have lived in Seattle for more than thirty years, with the exception of several years' residence in Europe in the 1960s. She and her husband have three children.

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TESTIMONY AT THE PUBLIC HEARING OF THE
US TRADE DEFICIT REVIEW COMMISSION

Seattle, WA November 16, 1999

Aerospace & High-Technology Exports, and U.S.-Asia Trade and Market Access

Testimony by Patricia Davis, President, Washington Council on International Trade, and
President, Seattle Port Commission

Thank you, Mr. Chairman. I am privileged to participate in this hearing today.

The Washington Council on International Trade is a non-profit, nonpartisan association. Since its founding in 1973, it has worked to promote the understanding of the importance of trade, and to support public policies favorable to expanded trade.

Our Council was the nucleus in generating community support for Seattle's proposal to hold the World Trade Organization Ministerial meeting here.

I am 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, in the most trade-dependent state in the nation, so how the public perceives trade, trade balances, and trade issues is absolutely critical to our future prospects for a better life both here and abroad.

I have three basic points to make:

1. 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.
2. We plead for a representation from the government about trade and export/import balances that explains the entire picture of trade, not just merchandise trade figures.
3. 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.

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 everyday fabric of our lives, most people here understand that trade is a two-way affair. We cannot export unless we import. And vice versa.

U.S.-Asia trade is critical to our state's economy. Of the \$110 billion in two-way trade in 1998, \$82 billion is 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 stabilize the economies of some very important Asian countries.

We are aware that our exports need inputs, many of which come from elsewhere. The trouble is, many citizens around the country do not understand this. For instance, Microsoft's computer programs are run on chips made in Asia. Bauxite must be imported to make Kaiser's aluminum that is 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 U.K. Fish processing equipment installed in factory trawlers is made in Germany. Coffee beans for our famous coffees are grown in Central and South America. Coffee machines for Starbucks coffee houses come from Italy. The largest category of goods imported into the U.S. is capital goods and industrial supplies that 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 noncompetitive in lucrative markets abroad, or 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% since 1990. 12,300 of them, representing 112,000 workers, are doing international business. \$10.7 billion of their revenues are due to trade. Of the 35% 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 increasingly to an expanding global marketplace for their survival and success. Interference in the form of import restrictions would be extremely harmful.

Need for Better Portrayal of the U.S. Trade Picture

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Second, I would like to plead for a 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 people. 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 ordinary people do not understand the differences between merchandise trade amounts, current account figures covering goods **and services**, 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.

We do know that we have the lowest unemployment rate in memory, that reviews of the past fifteen years show increases in imports and increases in employment have gone hand in hand.

Impediments to imports would dramatically affect such good-paying jobs as longshore, teamster, freight forwarders, accounting, packaging, retail, legal, real estate, and warehousing in our state. It is the two-way trade flows that create these jobs, jobs that would not be here without the exchange of imports and exports.

In addition, there are benefits that accrue to our state's and the Midwest's agricultural industries from empty containers returning west. Lower transportation rates make **our** agricultural products more competitive on the global market.

We definitely know that variety, choice and price options are available to us because of two-way trade. Whether we shop at Nordstrom, Target, Toys R Us, the **Bon Marche**, or Costco, we will see an amazing selection of goods and prices. The people who benefit most critically are families at the lower end of the wage scale who have school-age children, and those elderly who must live frugally. It is a cruel deception to proclaim that an open system of free trade is not good for working people. An import tariff is a tax. It is imposed on those least able to pay.

That is why we hope very much that our federal government will tell us the entire story about imports and trade balances. Otherwise, inappropriate trade policies may be put in place to counteract a situation that has been misrepresented and misunderstood by the public.

What do we do to redress trade imbalances?

The question posed by your inquiry here is U.S.-Asia trade and market access. That is exactly the answer to a better balance between imports and exports. And 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 have been experiencing, especially in high-wage, high-productivity industries. It is a result of, and reinforces the need for, maintaining open, equitable, barrier-free trade policies. It counters isolationist pressures.

An if a more open and fair trade with China will not only redress our export/import imbalance, and continue to improve our standard of living, it will also do so for the people with whom we trade.

If a country feels it needs to isolate itself and erects barriers, unfair and often wrenching adjustment, dislocations and stagnation result. That is why it is so important to understand both sides of the trade equation.

Our state's impressive trade picture is possible only because someone is ready to accept 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 to vigorous two-way trade for its well-being. To this end, our Council advocates trade policies and perceptions about trade that support open markets and foster strong ties to the world economy.

I hope my remarks about the inclusion of the importance of two-way trade, the plea for a balanced portrayal of trade and investment figures, and the necessity for policies that promote market access and expanded trade will be helpful as you develop your report.

Thank you.