



International Trade Policy Update and Washington State

December 2011



OVERVIEW

- State-Federal Trade Policy Consultation System
- Areas of Potential Conflict
- WTO Boeing Dispute
- Energy Cost Recovery Program
- Revised WTO GPA
- Trans Pacific Partnership Agreement
- FTAS: Colombia, Panama and Korea



STATE-FEDERAL TRADE CONSULTATION SYSTEM

- 1948 General Agreement on Tariffs and Trade (GATT).
- Subsequent “rounds” of trade negotiations.
- Negotiations moved beyond the reduction of tariffs to the removal of non-tariff barriers and areas that involved state regulation.
- Uruguay Round and NAFTA implementing legislation (1994) established a formal system for federal-state trade policy coordination.

STATE-FEDERAL TRADE CONSULTATION SYSTEM, CNTD

- State Point of Contact System (all states)
 - Subsidy Notification
 - Revised WTO GPA
 - Technical Regulations/Standards
 - Services Proposal
 - Trade Disputes

- Intergovernmental Policy Advisory Committee (IGPAC)
 - Other states
 - National Association of Attorneys General (NAAG)
 - National Conference of State Legislatures (NCSL)
 - National Association of State Procurement Officials (NASPO)
 - National Center for State Courts

Potential Areas of Conflict: Trade Agreements/State Laws

- Government Procurement
 - Non-discrimination against products and services from other signatory countries
- Services Regulation
 - Necessity Test?
- Products Standards/Technical Regulations
- Subsidies
- Investment
- Taxes and Non-Discriminatory Treatment of Goods

WTO Dispute Against US Subsidies for Boeing



- September 2010 Panel Report

WTO Dispute Against US Subsidies for Boeing, Cntd.

WTO “Negative” Ruling on WA Measures Not Under Appeal

- Sales and Use Tax Exemption for Construction of New Buildings
- Leasehold Excise Tax Exemption
- Property Tax Exemption
- Project Olympus Coordinators
- I-5 Expansion (Everett)
- SR 527 Expansion (Everett)
- Paine Field Landing Fee “Waiver” for Large Cargo Freighter
- Port of Everett Rail-Barge Transfer Facility
- Port of Everett: Expansion of South Terminal Facility
- City of Everett “Freezing” of Utility Rates
- Cost of Legal Proceedings
- “Make Whole” Provision of Master Site Agreement

WTO Dispute Against US Subsidies for Boeing, Cntd.

WTO “Affirmative” Rulings on WA Measures that the U.S. Appealing

- Washington B&O Aerospace Reduction (HB 2294)
- Everett B&O Aerospace Reduction



WTO Dispute Against US Subsidies for Boeing, Cntd.

WTO “Negative” Rulings on WA Measures that the EU is Appealing

- B&O Tax Credit for Aerospace Manufacturers for Preproduction Development Expenditures
- B&O Tax Credit for Computer Software and Hardware
- B&O Tax Credit for Property Taxes
- Sales and Use Exemption for Computers
- Workforce Development Program
- Employee Resource Center

WTO Dispute Against US Subsidies for Boeing, Cntd.

What happens next?

Appellate Report – First quarter 2012?

Any offending law is not automatically preempted.

Sixth months to comply.

Possible Outcomes:

- Amend the offending measure
- Removal of WTO inconsistent measures
- Negotiated solution
- Leave as it – face retaliatory sanctions (tariffs)

WTO Boeing Dispute Cntd.

Washington State Compliance with WTO Ruling

- Uruguay Round Implementing Legislation
 - “In GENERAL- No State law, or the application of such a State law, may be declared invalid as to any person or circumstance on the ground that the provision or application is inconsistent with any of the Uruguay Round Agreements, except in an action brought by the United States for the purpose of declaring such law or application invalid.”
 - “If a dispute settlement panel or the Appellate Body finds that the law of a State is inconsistent with any of the Uruguay Round Agreements, the Trade Representative shall consult with the State concerned in an effort to develop a mutually agreeable response to the report of the panel or the Appellate Body and shall make every effort to ensure that the State concerned is involved in the development of the United States position regarding the response..”

Washington Renewable Energy Cost Recovery Program

- Chinese investigation of 6 state programs: Washington, Ohio, Massachusetts, California, and New Jersey (2)

Washington Renewable Energy Cost Recovery Program

- Incentive for businesses, consumers and local governments to generate electricity from wind power, solar power and anaerobic digesters.
- Additional incentive if equipment is produced in Washington.
- May 25th – China investigation deadline

REVISED WTO GOVERNMENT PROCUREMENT AGREEMENT

- Revised WTO Government Procurement Agreement: December 2011?
- Reasons for Revised Agreement
 - Confusing language and organization.
 - Pre-dates role of Internet in government procurement
 - Further opening of procurement markets.
- Revised GPA and Washington State
 - Wording of the state's coverage will change but coverage will not.
 - Goal is to increase transparency.
 - Current Language: Washington Executive Branch Agencies including General Administration, Department of Transportation and State Universities.

REVISED WTO GOVERNMENT PROCUREMENT AGREEMENT, Cntd.

- Proposed Revised Language: “Washington: Department of Enterprise Services (created in 2011) is the consolidated purchasing agency for all Executive Branch agencies, which include, but are not limited to –

Department of Agriculture; Office of the Attorney General; Auditor’s Office; Consolidated Technical Services; Department of Commerce; Department of Corrections; Department of Early Learning; Department of Ecology; Employment Security Department; Department of Financial Institutions; Office of Financial Management; Department of Fish and Wildlife; Office of the Governor; Department of Health; Healthcare Authority; Office of the Insurance Commissioner; Department of Labor and Industries; Department of Licensing; Office of the Lieutenant Governor; Military Department; Department of Natural Resources; Department of Revenue; Office of the Secretary of State; State Department of Social and Health Services, Office of the State Treasurer; Office of the Superintendent of Public Instruction; Department of Transportation; and Veteran Affairs.”

Trans Pacific Partnership Agreement (TPP)

Current Participants

- *Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, United States and Vietnam*

Additional Participants in Near Future

Canada, Japan and Mexico

Italics: trade agreement already in place.

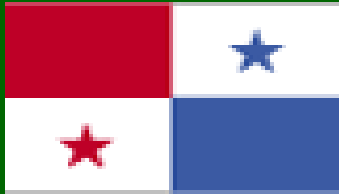
Transpacific Partnership Agreement

- Issue Areas:
 - Government Procurement
 - Services Regulation
 - Product Standards/Regulations
 - Cosmetic Regulations
 - Investment
 - Health Care
 - State Owned Enterprises

Trade Negotiations



WTO Doha negotiations



U.S.-Panama FTA (signed June 2007)



U.S.-Colombia FTA (signed November 2006)



U.S.-South Korea FTA (signed June 2007)

Colombia, Panama, and South Korea FTAs

	Colombia	Panama	South Korea	US
GDP Compared to US	2%	.5%	10%	N/A
2010 WA Exports	\$56 million (50 th)	\$315 million (25 th)	\$1,900 million (4 th)	N/A
Avg. Tariff	12.5%	7.2%	12.2%	3.5%
Avg. Ag. Tariff	16.9%	13.4%	53%	5.3%
Avg.. Non-Ag. Tariff	11.8%	6.2%	6.6%	3.3%
% of Exports Entering Duty-Free (2010)	90%	98%	N/A	N/A