



International Trade Policy Update

Joint Legislative Oversight Committee on Trade Policy

June 16, 2014



Overview

- WTO Boeing Dispute
- Clean Energy Trade Conflicts and Washington State
- NAFTA at 20



WTO Dispute Against U.S. Subsidies for Boeing

- 2004 – U.S. initiates WTO case against EU subsidies for Airbus
- EU files WTO counter-case against U.S. subsidies for Boeing

Washington Measures

- B&O Aerospace Tax Reduction
- B&O Tax Credit for Preproduction Development
- B&O Tax Credit for Computer Software and Hardware
- Sales and Use Tax Exemption for Computers
- Sales and Use Tax Exemption for Construction Equipment
- Leasehold Excise Tax Exemption
- Property Tax Exemption
- City of Everett B&O Tax Exemption
- B&O Tax Credit for Property Taxes

WTO Dispute Against U.S. Subsidies for Boeing

Washington Measures Cntd.

- Project Olympus Coordinators
- Workforce Development Program
- Employee Resource Center
- Road Improvement: I-5 Expansion in Everett
- Road Improvement: SR-527 Expansion
- Paine Field: Waiving of Large Cargo Freighter Landing Fees
- Port of Everett: Rail-Barge Transfer Facility
- Port of Everett: Expanded South Terminal Facility
- City of Everett: Freezing of Utility Rates
- “Make Whole” Provisions of the MSA

WTO Dispute Against U.S. Subsidies for Boeing

March 2012 – WTO Appellate Body Adverse Washington Rulings

- Washington B&O Aerospace Reduction (HB 2294)



WTO Dispute Against U.S. Subsidies for Boeing, Cntd.

U.S. Compliance with WTO Ruling

- USTR announces compliance (September 24, 2012)
- WTO has established a Compliance Panel at the Request of the EU

Compliance with WTO Ruling

- Removal/Amendment of WTO-Inconsistent Measures
- Retaliatory Tariffs
- Trade Concessions
- Negotiations

Retaliatory Tariffs

- Arbitration Panel

U.S.-China Clean Energy Trade Complaints

U.S. Antidumping and Countervailing Duties on PRC Solar Panels

- Nov. 2011: AD and CVD cases initiated against imports of Chinese solar panels resulting in tariffs on Chinese imports

PRC Investigation of Six State Renewable Energy Programs

- Ohio, Massachusetts, California, and New Jersey (2) and Washington Renewable Energy Cost Recovery Program
- August 2012: MOFCOM announces final determination that all six subsidies violate WTO rules
- As of this time, no WTO case.

China Antidumping Duty and Countervailing Duties on U.S. Polysilicon

- 57% duties on REC Silicon (Moses Lake)

U.S.-China Clean Energy Trade Complaints, Cntd.

Washington Renewable Energy Cost Recovery Program

- Originally passed in 2005 (SB 5101) but amended several times.
- Incentive for businesses, consumers and local governments to generate electricity from wind power, solar power and anaerobic digesters.
- Amount of incentive paid to the producer by the utility starts at a base rate of \$0.15 per kilowatt, varying according to the technology.
- Additional incentive if equipment is produced in Washington.
- Participating utilities can claim a utility tax credit.

NAFTA AT 20

Background and Main Provisions

- Implemented on January 1, 1994
- US-Canada FTA Already in place (1989)
- Most of the market opening measures related to Mexico
- Eliminated almost all tariffs
- Liberalized services trade and foreign investment
- Intellectual property protection.
- Labor and environment side agreements.
- Investor-State dispute mechanism

NAFTA AT 20

Impact on Trade

- Canada: largest U.S. export market
- Mexico: second largest U.S. Export market
- 522% increase US – Mexico trade (1993-2013)
- 200% increase US – Canada trade (1993-2013)

Impact on Investment

- 1993: US FDI in Mexico \$15.2 billion
- 2012: US FDI in Mexico \$101.0 billion
- 1993 US FDI in Canada \$69.9 billion
- 2012 US FDI in Canada \$351.5 billion
- 2012 Canadian FDI in US \$225.3 billion

NAFTA AT 20

	U.S. Mexico - Trade	U.S. Mexico - Trade	U.S.- Canada Trade	U.S.-Canada Trade
	1993 (USD B)	2012 (USD B)	1993 (USD B)	2012 (USD B)
US Merchandise Exports	\$41.6	\$215.9	\$100.2	\$291.8
US Merchandise Imports	\$39.9	\$277.6	\$110.9	\$324.2
US Service Exports	\$10.4	\$27.4	\$17.0	\$61.2
US Service Imports	\$7.4	\$15.1	\$9.1	\$29.8
Trade Balance	+\$4.7	-\$49.4	-\$2.8	-\$32.4

NAFTA AT 20

Future of NAFTA – Trans Pacific Partnership Agreement (TPP)

- United States, Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam