



THE NORTHWEST
SEAPORT ALLIANCE

Testimony of John Wolfe
CEO, Northwest Seaport Alliance
United States House Ways and Means Committee
April 12, 2018

Thank you, Chairman Brady, Ranking Member Neal, and members of the Committee for inviting me to testify on the effects of U.S. tariff policy on the economy and jobs today. I also want to offer special thanks to Subcommittee on Trade Chairman Reichert and to Representative DelBene for their support of strong trade policies that contribute so much to the success of Washington state's economy.

The Northwest Seaport Alliance (NWSA) is a marine cargo operating partnership of the ports of Tacoma and Seattle, formed four years ago to maximize the competitiveness of our region's global gateway. The first of its kind in North America, the NWSA is the fourth-largest container port complex in the country. I am also here to speak to one of the other major facilities operated by the Port of Seattle, which is Seattle-Tacoma International Airport (Sea-Tac); in addition to being the 9th busiest passenger airport in the country, Sea-Tac is a thriving air cargo facility, with significant international trade flows.

As large gateways for two-way trade, the Port of Seattle and the Northwest Seaport Alliance are deeply invested in U.S. trade policy discussions because they impact our core business, the success of our customers and the lives of our local residents – all

in direct and tangible ways. The most recent economic impact study found that the marine cargo operations in our Seattle and Tacoma harbors supported more than 48,000 jobs, generated nearly \$4.3 billion in economic activity and produced \$379 million in state and local taxes to support education, police, fire services and road improvements. Similarly, Sea-Tac's air cargo operations now support over 5,200 jobs and over \$1.2 billion in business revenues.

These are two examples of what makes Washington state the most trade dependent economy in the country, with 40% of all jobs tied to international trade. Notably, about a quarter of those jobs are created by imports – whether it be the transportation and logistics companies who carry cargo from our ports to the rest of the country; the headquarters jobs at the companies in our state who rely on global supply chains for their success; or the retailers and manufacturers that use imports as inputs into their end products, many of which are then exported. For example, the Boeing Company employs tens of thousands in our state, using parts from throughout the globe to assemble airplanes – 80-90% of which are then sold to foreign customers. And so, trade restrictions and retaliatory tariffs that lead to decreased two-way trade put our state's economy at risk in multiple ways.

The Sea-Tac and NWSA gateways are not only part of a global supply chain used by local businesses and consumers, but are also truly national assets that benefit stakeholders throughout the country. More than 60% of the goods imported through the NWSA are destined for parts of the country outside the Pacific Northwest, and 44% of imported goods go specifically to states in the Midwest; our gateways are critical for the supply chains of U.S. businesses nationwide. To cite a few specific

examples, \$2.5 billion in imports of industrial and electric machinery move through our ports into Illinois, while Ohio and Indiana respectively import \$1.9 billion and \$1.2 billion worth of these products through our ports. Similarly, NWSA handles \$3.5 billion worth of imported auto parts (\$464 million from China alone), most of which supply our country's major automotive manufacturers in the Midwest with the materials they need to make cars and trucks for American consumers. This integrated national system is true for exports as well, with businesses from almost every single state in the country using our facilities to access foreign markets. For example, soybeans are the top agricultural export out of our state, yet none are grown in Washington; last year, our gateway sent \$1.89 billion in soybeans to China alone.

Our success as an airport and seaport gateway is inextricably linked to our relationship with China. They are the top source of imports for the NW Seaport Alliance, the destination for 28.5% of seaport exports, and the number one market for exports through Sea-Tac. Last year, more than \$27 billion in imports from China came through Seattle and Tacoma cargo terminals, with an additional \$1.1 billion in imports from China via Sea-Tac International Airport. In addition, almost \$5 billion in exports to China travelled through the Seattle and Tacoma cargo terminals in 2017, plus another \$2.2 billion in exports to China through Sea-Tac. These stats do not include the international travel through our airport that is related to the facilitation of this goods trade; in the past five years, Sea-Tac has seen the number of travelers to and from mainland China increase by 123%, to more than 330 thousand travelers.

Creating a fair and level playing field for U.S. exporters to compete successfully in the global economy is one of the most important goals of U.S. trade policy, and I want to thank this committee for its consistent and passionate focus on that work. From opening new markets through trade agreements to enforcing existing trade rules, we all win when American businesses and entrepreneurs can sell more goods to more people throughout the world. *There is clearly more that must be done to achieve that goal, and I think it is fair to say that the only debate we are having in this country is regarding what are the best tactics to achieve our desired outcome.*

That is why – while there are justifiable concerns about China’s trade practices – we continue to believe that productive engagement and negotiations are the best path to ensuring a fair and level playing field for mutually beneficial trade with China. It is essential that the U.S. be clear on the exact practices that are objectionable as well as the desired remedies sought from China. Furthermore, enforcement actions such as tariffs should be a measure of last resort, and when necessary, be carefully and narrowly targeted to address the problem and minimize the unintended impacts on American producers and consumers. We are concerned that the proposed Section 232 and Section 301 tariffs do not yet meet either of these criteria.

Our concerns over these tariffs are not limited to our own operations, but also the impacts on the businesses throughout our region and state that depend on trade with China for their success. In addition to the 48,000 jobs mentioned above, 443,000 more people in our state work for businesses that use our facilities, mostly importers and exporters who ship through the NWSA to access overseas markets and global supply chains. In particular, Washington currently leads the nation in the

percentage of small businesses that engage in exporting, meaning that these increased costs and potential lost market opportunities could hit those employers in our state who can least afford it. As we watch the back and forth escalation of retaliatory tariffs between the U.S. and China, it is Washington state businesses and consumers who will see increased costs, and it is our farmers, ranchers, retailers and manufacturers who are at risk for reduced exports of everything from airplanes to apples.

While it is impossible to truly estimate the impact of the Section 232 and 301 tariffs – especially as their size and breadth continue to evolve – we have done an initial analysis based on the items that have been publicly announced by the U.S. and China. For our airport and seaport, roughly \$8 billion in two-way trade through our airport and seaport will potentially face some level of increased tariff: approximately \$5.8 billion in imported goods and \$2.2 billion in exported products. How those additional costs will affect supply and demand is yet to be seen, but a useful rule of thumb is the American Association of Port Authorities’ estimate that – for every \$1 billion in exports shipped through U.S. seaports – 15,000 jobs are created; the converse is likely true as well, which means that this \$8 billion in trade theoretically represents 120,000 jobs.

To put a specific face on this challenge, we can look to cherries, for which our state is the biggest producer in the United States. The Northwest cherry harvest creates an estimated 19,000 jobs and had a local economic impact of roughly \$540 million in 2016. About 30 percent of this crop is exported, a majority shipped by air through Sea-Tac. In the month of July each year, our air cargo volumes can be five times

higher thanks to these shipments. China is the top export market for Washington cherries, buying 2.9 million cases worth \$127 million each year. If the Chinese market is closed off to them, they are going to have a very difficult time finding alternative markets for that much volume, leading to rotting fruit, wasted effort and lost jobs.

If the United States does continue with these Section 232 and Section 301 tariffs, we encourage the Administration and Congress to consider ways to mitigate the impact on U.S. exporters and importers. If U.S. businesses are being incentivized to shift their global supply chains away from China, this does not happen overnight and it involves significant cost. Similarly, our exporters cannot easily find new customers if existing ones are lost. There must be short term remedies to help those like our farmers who cannot afford to delay their shipments and our small businesses who risk loss of long-term contracts. Long-term, we must continue to advocate loudly and consistently for new market access opportunities throughout the globe. It has been over six years since the last U.S.-signed trade agreement entered into force, while some of our largest competitors have dozens of new such agreements that not only advantage their products but disadvantage ours.

More than 95% of all consumers live outside our country, and we are committed to working with the Trump Administration and Congress to create more and better opportunities in the global economy. Thank you again for the chance to participate in today's hearing, and I look forward to responding to your questions.