

## Special Topic: International Trade

### Impact of trade.

Trade has always played a vital role in the Washington state economy, especially in the Puget Sound region. When James Cook explored the Pacific Northwest coast in 1778, he found Native Americans exchanging fish, firs, seashells, and wood-carved canoes. In the 1850s, shortly after the arrival of the first white settlers, San Francisco investors built sawmills on the Kitsap Peninsula to supply lumber to California's gold rush economy. The boom and bust nature of the California economy, however, motivated local traders to diversify their markets. Thus, by the end of the decade, the Puget Sound region was part of the vast Pacific Rim economy, exporting products as far away as Honolulu, Callao, and Melbourne.

Today, international trade is the fastest growing sector of the Washington economy. In 1995, foreign exports amounted to \$28.2 bil-

of Community, Trade, and Economic Development, the Port of Seattle, the Port of Tacoma, and the Washington Public Ports Association. Here is a sample of other findings:

- In 1995, on a per capita basis, foreign exports in Washington amounted to \$5,182, compared to only \$3,063 in the United States.
- Between 1963 and 1995, Washington foreign exports in constant dollars grew at an average annual rate of 7.1 percent.

• The Boeing downturn notwithstanding, aircraft and parts were Washington's leading export, amounting to \$9.5 billion or one out of three dollars of foreign sales.

• Agricultural products and forest products accounted for \$5.4 billion or one-fifth of Washington's total international sales.

• Foreign exports of services totaled \$6.9 billion, including \$1.3 billion for trade and transportation services associated with the foreign distribution of Washington produced goods, \$1.8 billion for foreign travel, \$2.5 billion for computer software, and \$1.3 billion for miscellaneous financial, business, and professional services.

• Services accounted for one-fourth of the total foreign exports in 1995, up from one-ninth in 1963.

• Foreign export production in 1995 directly involved 204,000 jobs (wage and salary employment and proprietors), which earned \$8.7 billion in labor income.

• Including the indirect impact, 740,000 jobs or 23.7 percent of total state employment were

dependent upon foreign exports.

- The implied foreign exports employment multiplier was 3.6, meaning that for every export-producing job there were 2.6 supporting jobs in the economy.

### Washington State Foreign Exports Impact, 1995

	Impact	Percent of State Total
<b>Direct impact</b>		
Foreign exports (bils. \$)	28.2	—
Employment	204,000	6.5
Labor income (bils. \$)	8.7	9.6
<b>Total impact</b>		
Gross State Product (bils. \$)	35.3	23.8
Employment	740,000	23.7
Personal income (bils. \$)	30.8	23.9

• Foreign export related jobs expanded twice as fast as other employment between 1963 and 1995.

• The rapid expansion of international trade was the principal reason why Washington grew faster than the nation during that period.

• The Puget Sound region accounted for 71.6 percent of Washington total foreign exports.

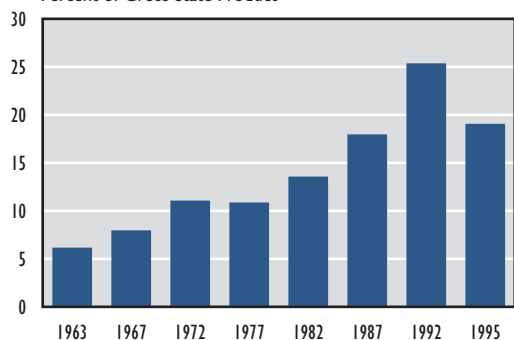
• Foreign exports supported 28.6 percent of the employment in the Puget Sound region.

• Adjusted for inflation, Washington foreign exports are expected to expand at a 7 percent annual rate between 1995 and 2005, continuing to provide a major force for long-run growth.

• As a consequence, Washington employment supported by sales abroad will likely rise to one out of every three jobs ten years from now.

The bottom line to the study: no state derives more economic benefits from international trade than Washington.

**Washington State Foreign Exports**  
Percent of Gross State Product



lion, making Washington the most trade dependent state in the nation. Nearly one out of every four state jobs was directly or indirectly tied to international sales, up from one out of nine in 1963.

These are the principal findings from a recent study entitled "Foreign Exports and the Washington State Economy" sponsored by the Washington State Department