

What do Washington Businesses Need from Government to Improve their Competitiveness with China?



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Prepared for:
Washington State Congressional Delegation
State Government Officials
Municipal Government Leaders
Private Sector Leads

Prepared by:
The Washington State China Relations Council

ACKNOWLEDGEMENTS

Partner Organizations

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Northwest Horticultural Council
Visit Seattle
Washington Technology Industry Association

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ABOUT THE WASHINGTON STATE CHINA RELATIONS COUNCIL

The Washington State China Relations Council (WSCRC) is the oldest state-level organization promoting improved bilateral relations with China. Founded in 1979, the Council is Washington state's lead partner for China-related activities. The Council serves as a thought leader on U.S.-China issues, curates programs and exchanges to improve mutual understanding, and is a nexus for business and government leaders on both sides of the Pacific.

During the WSCRC's history, it has hosted many of China's most senior officials and prominent business leaders. This includes all of China's top leaders from Deng Xiaoping through Xi Jinping, for which the Council played a central role in organizing public receptions, private meetings, and high-level briefings during each of their state visits to the United States. Among other initiatives, the Council was a leading organizer of the 2014 Bo'ao Forum in Seattle, the first time the event was held on U.S. soil.

The Council is uniquely placed to collate and report on the viewpoints of a wide variety of organizations in Washington state with an important stake in, and that are impacted by, the state of the U.S.-China relationship. The Council has a long history of tracking and reporting on the importance of trade and investment with China and presenting creative, pragmatic solutions to sustain a beneficial relationship between the two countries. Although the U.S.-China relationship is currently under great stress, the Council advocates a balanced and nuanced approach, as trade and investment with China represents a large number of jobs and contribution to Washington state's economic prosperity and livelihood.

EXECUTIVE SUMMARY

As the Biden Administration formulates its China Policy, Washington businesses hope for a reset in the U.S.-China relationship that enables vigorous, fair economic competition and trade while honestly raising and addressing challenges. As the most trade dependent state in the union, many Washington businesses have ideas on how China policy should be shaped in the future. This document has been prepared to assist elected and government officials to understand the positions of major trade associations in our state. The Washington State China Relations Council solicited the perspectives and concerns of these associations on how the current state of U.S.-China relations impacts their members. The Council also asked these organizations what policies they would like to see implemented by the current administration and our local legislature to improve business operations and opportunities for their member companies and constituents. A summary memo consolidating the viewpoints of some members of these organizations is presented below. Individual memos from each participating association are included in the appendix.

Key policy recommendations:

1. Create a more level playing field by eliminating non-tariff and regulatory trade barriers.
2. Create a stable, competitive trading environment through reviewing and eliminating tariffs.
3. Strengthen intellectual property and cybersecurity protections and enforcement.
4. Expand U.S. visa availability and increase predictability in the U.S. visa process.
5. Strengthen domestic Infrastructure and investment—at both the federal and state levels—to improve Washington State’s global competitiveness.
6. Advance environmental sustainability and human rights as priorities in the bilateral relationship in a manner that maintains global economic stability.
7. Seek constructive new areas for collaboration and cooperation with China, including on climate change, global health, and other common challenges.
8. Facilitate constructive sub-national relations with China.

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Introduction

The Biden administration and 117th Congress are aligned on the need to effectively compete with and confront China in this century. However, we need more than agreement that the prior administration's go-it-alone approach has failed. We need a domestic consensus on how to compete and confront in ways that will benefit Americans and the global economy.

Since taking office, President Biden has pledged to “confront China’s economic abuses; counter its aggressive, coercive action; (to) push back on China’s attack on human rights, intellectual property, and global governance.”¹ His administration has pledged to strengthen American competitiveness by “building back better” through new investments in the U.S. economy and next-generation industries, workers, and infrastructure; working together with global allies and partners while renewing America’s traditional role within international institutions, and reclaiming U.S. credibility and moral authority. At the same time, President Biden has indicated a willingness to work together with China in areas of shared interest and challenge, ranging from improving global health security and countering current and future pandemics, to climate change and weapons proliferation.

Key Elements of the Washington-China Economic Relationship

No state is more strategically positioned or impacted by developments within U.S.-China relations than Washington. As the leading state-level trading partner with China, in many respects, Washington state offers a microcosm of the U.S.-China economic relationship.

For many years the largest exporter to China among U.S. states, Washington’s world-leading, innovative advanced industries including aerospace, information technology, and life sciences have benefited from new and growing opportunities in China’s market, supporting highly-skilled family wage jobs at home. China is one of the most important global destinations for Washington’s agricultural exports, which support diverse communities and local economies across every region of the state—and U.S. agriculture overall, as Washington is a major shipping port for Midwestern agricultural products. Chinese students and researchers at Washington’s higher education institutions have contributed to developing even stronger foundations for the state’s future technology-driven economic prosperity, as well as to the cultural richness and diversity of our communities. Moreover, about a third of all inbound containers handled at Washington’s ports originate in China. The handling of this cargo directly and indirectly supports thousands of jobs across the state, including at marine terminals, warehouses, intermodal operations, and downstream industries and businesses.

The recent erosion in U.S.-China relations has no doubt adversely impacted Washington’s economy. In 2020, Washington state goods exports to China summed to just \$3.5 billion, down from \$14.6 billion (inflation-adjusted dollars) in 2018. Non-aerospace exports fell more than 27% in real terms in 2019 before rebounding 15% in 2020, despite the ongoing pandemic and disruptions to global supply chains and consumer demand. Notable increases included ultrasound equipment, wheat, and hay. However,

¹ The White House. “Remarks by President Biden on America’s Place in the World.” February 4, 2021. <https://www.whitehouse.gov/briefing-room/speeches-remarks/2021/02/04/remarks-by-president-biden-on-americas-place-in-the-world/>

aircraft, which constitute the major share of Washington state exports, saw another year of decline, falling to \$1.1 billion in 2020, compared with \$11.7 billion in 2018 and an average of \$11.1 billion between 2014 and 2018 (inflation-adjusted dollars).

Washington state and all of its communities have much at stake in the U.S.-China relationship, and have always benefited from thoughtful, long-term strategic approaches to China that strengthen U.S. competitiveness and protect national interests, while facilitating opportunities for engagement that advance common goals. As the Biden Administration and Congress move forward with developing U.S. policies towards China, Washington state businesses hope for a reset in the bilateral relationship that enables vigorous, fair economic competition and trade while honestly raising and addressing challenges. Washington is the most trade dependent state in the union, and many Washington businesses have constructive ideas for how China policy should be shaped in the future to benefit the state's continued prosperity and global competitiveness.

The members of Washington's Congressional delegation, together with many of Washington's governors, mayors, local officials, and business and industry leaders, have long taken leadership roles at the national level in shaping and steering this bilateral relationship of paramount importance. To support the members of the Washington state delegation in Congress, together with state and local elected officials and leaders, the WSCRC has surveyed several of the state's leading industry and trade associations to understand how China impacts their members. The Council has invited these organizations to present policies their members would like to see implemented by federal, state, and local governments to enhance their business with China. This memo provides a compendium of these associations' comments and recommendations, which are summarized and attached below.

Key Recommendations

These recommendations are a compilation of the viewpoints of some members of the Washington State China Relations Council, together with those of some members of the CleanTech Alliance, the Northwest Horticultural Council, the Washington Technology Industry Association, and Visit Seattle. In addition to these organizations, the WSCRC consulted with other leading state industry and business associations for whose members the U.S.-China relationship is of great importance; perspectives from some members of these groups are also referenced below. Although some of these organizations do not themselves take a formal position on U.S.-China relations, their members have an important stake in this relationship and have shared their perspectives.

1. Create a more level playing field by eliminating non-tariff and regulatory trade barriers.

China has long used regulatory and non-tariff trade barriers to manage trade. For example, barriers such as phytosanitary (plant health) and food safety requirements affect the ability for Washington producers to export and grow the market in China for crops such as cherries, apples, and pears. Most Washington and U.S. technology companies continue to face hurdles navigating China's economic nationalist and protectionist regulatory environment. These barriers are the leading cause of trade imbalances, and focus on ensuring fair trade, including open markets; addressing state subsidies; and clear, consistent, science-based trade requirements, among other measures, will facilitate trade and relationships with China into the future, especially when coupled with tariff reductions.

Addressing this key challenge requires increasing U.S. leverage, including how and when we roll back tariffs, and the concept and practical elements of multilateral collaboration. We must have true reciprocity where U.S., U.K., European and Canadian companies, for example, have the exact same access and operating rights that China enjoys in these open markets – making clear to Beijing what is at risk if reform is not rapid and comprehensive.

2. Create a stable, competitive trading environment through reviewing and eliminating tariffs.

Washington businesses call for a fairer trading relationship with China, including a comprehensive review of U.S. trade and tariff policies. As policy we do not support tariffs as a tool to redress structural inequities. Therefore, in the medium term, the residual tariffs from the Trump Administration should be bilaterally reversed as part of a comprehensive agreement—but this leverage should not be given back unilaterally or without broader progress on real issues.

3. Strengthen intellectual property and cybersecurity protections and enforcement.

Many Washington companies are recognized global leaders in innovative technologies and advanced industries, including aerospace, information and communications technologies, and life sciences. A key to their success is that their intellectual property (IP) is protected, and that forced IP transfers are proscribed. This has long presented significant challenges for Washington businesses in China, where U.S. companies have lacked sufficient IP protections. While some progress has been made to reduce IP theft in recent years, strengthened enforcement of IP rights remains a top priority. In addition, defense against cyberattacks on U.S. companies are not only an urgent national security priority, but also particularly important for Washington’s advanced technology companies and consumers.

4. Expand U.S. visa availability and increase predictability in the U.S. visa process.

Chinese students, researchers, professionals, and visitors in Washington state contribute significantly to our state’s economic competitiveness and cultural vibrancy. Visa restrictions, including constraints on H1-B visas, and travel bans implemented under the Trump Administration interrupted these vital exchanges of people. This has adversely impacted Washington businesses of all sizes, while also creating risks of a chilling effect on perceptions of the United States as an open, welcoming society. Expanded visa and immigration programs will ensure highly skilled students and researchers continue to contribute to the state’s innovation ecosystem, generating new local jobs and growth.

5. Strengthen domestic infrastructure and investment—at both the federal and state levels—to improve Washington State’s global competitiveness.

Increasing federal and state-level investment in Washington’s economic development ecosystem will more competitively align the resources required to strategically position Washington for economic, trade, and investment ties with China that will benefit Washington’s businesses, communities, and people. This includes actions by the Washington State Legislature to restore investment in state and local economic development initiatives; increasing federal and state government investments in critical infrastructure including transportation and broadband, as well as workforce development, higher education, technical education, and retraining; and advancing policies that facilitate inclusive and equitable benefits of economic development. It also includes developing and advancing comprehensive

policies around technologies that are critical to national security, including but not limited to strategies that bring sensitive supply chains for these technologies back onshore or to trusted U.S. allies.

6. Advance environmental sustainability and human rights as priorities in the bilateral relationship in a manner that maintains global economic stability

Environmental sustainability and protecting human rights are important priorities for Washington businesses in China. The Biden Administration and members of Congress should advance policies that foster progress on these issues. In doing so, close consultation with Washington and other U.S. businesses is vital for ensuring these approaches do not have inadvertent, adverse impacts.

We must recognize that there will continue to be highly sensitive issues in the areas of military or economic coercion and human rights that could, if not managed with a balance of strategy and force, derail the global economy. The reality is that the United States, with its allies, together with China, are the dominant foundations of the global economy of this century, and it would be irresponsible if issues in these areas are allowed to force economic disengagement. In addition to necessary domestic control of critical supply chains, our national security also requires full competition and economic engagement with China in all markets.

There is desire to avoid issues in these areas becoming hard linked to commercial, trade, and investment negotiations, which could create mechanisms for unintended leverage and paralysis of global economics and trade. These efforts at a minimum should include the European Union, UK, Canada, and the emergent Quad Group (including Australia, India, Japan).

7. Seek constructive new areas for collaboration and cooperation with China, including on climate change, global health, and other common challenges.

There are many opportunities to expand business and build trust between Washington state and China, as well as to work together in addressing common global challenges. Adopting policy approaches towards China that pragmatically advance solutions on these issues, such as climate change and pandemic response, will have important benefits. One example might be to develop dialogues on carbon pollution and seek areas on this topic of great concern to both the United States and China.

8. Facilitate constructive sub-national relations with China.

To advance the above goal of seeking new areas for U.S.-China collaboration, subnational relationships between states, provinces, and cities have a vital and meaningful role to play. These connections have expanded significantly in recent years, particularly in Washington state, and offer an important venue for building mutually beneficial new linkages, including to develop economic opportunities and people-to-people linkages, together with addressing common challenges such as global health and climate change. Supporting this goal includes increased investments in and encouragement for state, regional, and local economic development agencies to develop markets for Washington goods and services.

Action Steps and Ongoing Engagement

The Washington State China Relations Council is sharing this compendium of recommendations to the members of the Washington State Congressional delegation, together with U.S. federal government

officials with key leadership and strategic roles on U.S. relations with China. The Council is also sharing this with private sector leadership and national trade associations with a stake in the China relationship and market. The Council and other organizations additionally encourage members of the Washington state Congressional delegation to actively seek committee assignments and other opportunities that position them to lead in Washington, DC on these and other priority issues in the U.S.-China relationship.

At the state and local level, this compendium is being shared with the Office of the Governor and members of the Washington State Legislature, together with county executives, mayors, and other public officials representing Washington communities for which economic relations with China are of particular importance. The Council welcomes opportunities to further discuss this report and its contents with federal, state, and local officials, and private sector leaders and organizations.

The Council also encourages Governor Inslee, state and local leaders, private sector leaders and trade associations to highlight the importance of these issues for Washington's economic competitiveness in their ongoing conversations with policymakers at the federal and Congressional levels.

This compendium is intended to be a "living document" that will be regularly updated, in collaboration with other Washington state-level trade and industry associations, to incorporate and reflect new priorities that emerge together with evolving developments in U.S.-China relations. The Council intends to provide updated versions of this report regularly to ensure it is a useful and timely resource for our Congressional, federal, state, and local leaders and partners.

Appendix A: CleanTech Alliance Memo



February 11, 2021

J. Norwell Coquillard
Executive Director
Washington State China Relations Council
1301 5th Avenue, Suite 1500
Seattle, WA 98101

Dear Mr. Coquillard:

The CleanTech Alliance is pleased to provide the Washington State China Relations Council its members' perspectives on U.S.-China economic relations and their priorities for improving their business activities with China.

Please note that these responses are from individual members and are not representative of any official CleanTech Alliance policy positions. We would be happy to offer our official policy positions on future issues if desired but please be aware that the member views expressed are reviewed by our Board of Directors and are therefore not official CleanTech Alliance positions.

The CleanTech Alliance represents over 1100 member organizations spanning ten U.S. states and three Canadian provinces. Founded in 2007 by business and cleantech leaders, and headquartered in Seattle, the Alliance facilitates the generation and growth of cleantech companies and jobs through a variety of education programs, research, products, and services. The mission of the Alliance is to engage our members and the cleantech industry through a variety of programs including networking events, public policy advocacy, commercialization, business development, and other business services.

The Alliance surveyed its members on the below five questions presented by the Washington State China Relations Council, and their responses are summarized below:

1. What is the importance of China for your organization/company?
China is highly important for Alliance members, including as a primary manufacturing supplier, current and potential partner for research and development, and future market. At least two Alliance members maintain primary offices in China in addition to the United States and do significant business there.
2. What are the leading priorities related to China for your organization/company?
The leading priority for Alliance members in China is intellectual property (IP) protection and enforcement, including forced IP transfer. Another high priority is strengthening China's carbon

policies, including continued commitment to the fight against climate change and reduction of greenhouse gas emissions. Additional priorities include, but are not limited to:

- A predictable and stable trade relationship between the United States and China, with focus on ensuring fair trade including open markets and addressing state subsidies, and pursuing a technology export/import policy based on facts rather than fear;
- Rare earth materials;
- CFIUS compliance;
- Visa policy predictability;
- Continued educational and cultural exchanges to increase understanding; and
- Human rights for workers.

3. What are the challenges or barriers to achieving these priorities?

Increasing trade, economic, and political tensions between the United States and China are the most significant challenge identified by Alliance members. This has also created barriers to finding areas of common interest, such as reducing greenhouse gas emissions and preventing global pandemics, among others. Additional challenges to members in the Chinese market include lax IP protection and enforcement; limited forward visibility; differential advantages enjoyed by China from lower labor and environmental standards than those in the United States; and creating discussions on carbon policy.

4. What policies would your organization request the incoming Biden Administration and the U.S. Congress implement, to advance these goals and overcome these challenges?

Policies that strengthen IP protection and enforcement are a leading priority for Alliance members. More broadly, members call for a fairer trading relationship with China, including a comprehensive review of trade and tariff policies, reconsidering the trade war strategy pursued by the Trump Administration and easing indiscriminate hostility towards China, while pursuing a “carrot and stick” approach to achieve this goal. This includes comprehensive policies around technologies that are critical to U.S. national security, and plans that bring manufacturing of these technologies back onshore or to trusted longtime U.S. allies. Policies improving human rights, and strengthening labor laws and environmental regulations in China, are also important for Alliance members. Members call for reviving U.S. alliances in the Pacific to counter growing Chinese political and military pressure, and for reasserting U.S. leadership in the World Trade Organization, towards achieving these goals.

Additionally, Alliance members urged policy approaches that focus on common interests, such as climate change and pandemic response, in order to rebuild trust and connections, such as through grand challenges around which the United States and China could conduct joint research efforts to tackle these issues. Members also call for providing more support to the U.S. renewable energy industry, and putting a price on carbon and support for national and international carbon markets. Our members are optimistic that we can focus on the common ground of climate change to create better and more environmentally friendly trade practices with China.

5. What are the most important roles and actions that Washington State stakeholders (state and local governments, private sector, non-government organizations, educational institutions) can take to support these goals, and contribute to constructive U.S.-China relations?

Alliance members believe that we can develop dialogues on carbon pollution and take advantage of our deep history with China to broker connections between the new Biden Administration and China. Some Alliance members urge members of the Washington State congressional delegation to actively seek committee assignments and other opportunities to lead in Washington, DC on US-China issues of concern. Finding areas of common interest like climate change can help to rebuild our relationship with China to achieve common goals.

Again, the CleanTech Alliance appreciates the opportunity share its members' perspectives with the Washington State China Relations Council on policies and actions that will support them in their business and economic activities with China.

Sincerely,



Mel Clark

President & CEO

mel@cleantechalliance.org

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Appendix B: Northwest Horticultural Council Memo

NORTHWEST HORTICULTURAL COUNCIL

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February 1, 2021
Mr. Norwell Coquillard
Executive Director
Washington State China Relations Council
1301 5th Avenue, Suite 1500
Seattle, WA 98101

Dear Mr. Coquillard,

The Northwest Horticultural Council represents the growers, packers and shippers of apples, cherries, and pears in the Pacific Northwest on federal and international trade issues. Our growers produce 67 percent of the apples, 76 percent of the pears, and 81 percent of the sweet cherries grown in the United States. Approximately one-third of these crops are exported from the Pacific Northwest annually. We appreciate the opportunity to answer your questionnaire to provide input on the People's Republic of China (PRC), the opportunities it presents as a market for our industry, and the challenges we face in maximizing those opportunities.

1. What is the importance of China for your members/sector?

The PRC is a valuable market for Washington apples, cherries, and pears with opportunity for growth should trade barriers be reduced. Prior to retaliation, China was the top destination for cherry shipments, valued at \$141 million in 2017. It fell to \$70 million last year. For apples, China is a market that places a premium on high quality apples like those raised in Washington, bringing a higher return on exports to Washington growers. Easing access and reversing damage of retaliatory tariffs is needed, however, to take advantage of the opportunities China presents for the tree fruit industry.

2. What are the leading priorities related to China for your members?

Restoring market share lost due to imposition of retaliatory tariffs is a top priority. While still an important export market, the PRC has declined in value for growers in the Pacific Northwest. Washington apples percentage of the market has fallen from 47% to 19%. Apple exports from Washington to China are down 57%, and cherry exports are down 69% as well.

3. What are the challenges or barriers to achieving these priorities?

Apples, cherries, and pears exported to the PRC currently face tariffs as high as 55%. A tariff of 15% was imposed in retaliation for the United States' Section 232 tariffs. In retaliation for the United States' Section 301 tariffs, an additional 40% was imposed. In March of 2020, the PRC established a process for importers to secure an exclusion which reduces to 25% the tariffs in retaliation to the U.S. Section 301 tariffs. While there has been some success in

utilizing this process, it seems to have been inconsistent and the retaliatory tariffs remain the most significant barrier to restoring lost market share in China.

Non-tariff trade barriers, such as phytosanitary (plant health) and food safety requirements, also affect our industry's market growth in China. Recent scientifically unsubstantiated proposals by the PRC to require disinfection of trucks and shipping containers for COVID-19 is an example of such a barrier that would unnecessarily burden Washington growers.

4. What policies would your members/association request the incoming Biden Administration and the U.S. Congress implement, to advance these goals and overcome these challenges?

Resolving the lingering trade dispute between the U.S. and the PRC and securing a reduction in retaliatory tariffs is vital to restoring market opportunities for tree fruit in China. Work is needed not only to ensure that China follows through on the terms of the phase one agreement, but to also prioritize and expand future agreements to include tree fruit and a lowering of tariffs.

Ensuring phytosanitary and food safety requirements are based in science is also important to the long-term success of trade between Washington and the PRC. The effects of non-tariff barriers have only been exacerbated by retaliatory tariffs. Clear, consistent, science-based trade requirements will facilitate trade and relationships with China into the future, especially when coupled with tariff reductions.

Thank you again for the opportunity to provide input on the opportunities and challenges in China and the valuable market it represents for tree fruit growers in Washington. We look forward to working together with your organization to move these priorities ahead and strengthen commercial relationships with the PRC into the future.

Sincerely,

The Northwest Horticultural Council

Appendix C: Visit Seattle Memo



January 19, 2021

Mr. Nor Coquillard
Executive Director
Washington State China Relations Council
1301 5th Avenue #1500
Seattle, WA 98101

Dear Nor,

I appreciate you reaching out to Visit Seattle regarding the future of relations between the U.S. and China. The tourism industry is hopeful the Biden Administration will take positive action to mend the damaged relationship with China, which I know has impacted many businesses across Washington State.

Visit Seattle is a private, nonprofit marketing organization serving as Seattle and King County's official destination marketing organization for more than 50 years. Through our efforts, we work to enhance the employment opportunities and economic prosperity of the region. In 2019, tourism generated over \$8.1 billion in economic impact in our region and China has been our largest source market of overseas visitation since 2010. In fact, in the 10 years between 2008 and 2019 visitation from the China market grew by over 500% in Seattle.

Our organization's top priority related to China is the resumption of non-stop flights from Beijing and Shanghai to Seattle, which have been instrumental in growing visitation. The COVID-19 pandemic has obviously decimated travel and tourism – and impacted the strong connectivity we enjoyed in prior years. The recent announcement from the CDC requiring a negative COVID-19 test prior to boarding a flight to the U.S. is a positive step for health and safety that should be followed by the Biden Administration dropping current travel restrictions and post-travel quarantine requirements.

I believe China can and will play a significant role in our region's recovery from COVID-19. Visit Seattle will look forward to supporting private or public-led initiatives to reconnect with China in positive ways and we appreciate the leadership of the Washington State China Relations Council in these matters.

Regards,

John Boesche
Vice President, Tourism
Visit Seattle



U.S.-China Priorities for Washington Tech Companies

A memo prepared for the Washington State China Relations Council

A productive trade and economic relationship with China is an important priority for Washington’s technology industry. At the request of the Washington State China Relations Council (WSCRC), the Washington Technology Industry Association (WTIA) is sharing an overview of high-level policy priorities that we believe will expand opportunities for the state’s tech sector in the U.S.-China relationship. Those priorities are:

- Enhancing trade and immigration ties
- Strengthening intellectual property and data privacy protections and enforcement
- Improving environmental sustainability and human rights

The U.S. Government plays an important role in leveraging the bilateral relationship to advance stronger protections for U.S. companies in China. As the new team in the Biden administration takes stock of the bilateral relationship and develops a comprehensive strategy, progress on these priorities would further enhance ties between the U.S. tech sector and China — strengthening economic cooperation and promoting greater innovation between these two technology leaders.

Priority I: Trade and Immigration

While robust trade and commercial ties have historically served as the linchpin of the U.S.-China relationship, the recent bilateral trade war has significantly hurt the U.S. economy, strained bilateral ties, and failed to achieve major policy goals. Over the past year, the U.S. trade deficit accelerated to its largest on record, and the tariffs imposed on China by the Trump administration forced U.S. companies to reduce wages, cut jobs, and increase prices for U.S. consumers. Meanwhile over this same period, China’s trade surplus increased while Beijing has also expanded trade with other countries.

Against this backdrop, President Joe Biden’s election signals a new chapter in U.S. relations with China, which is expected to shift from a confrontational to a competitive posture as the new administration seeks to rebuild trade ties with its third-largest trading partner.

Within China, President Xi Jinping's ambitious economic reform agenda has resulted in measures designed to promote Chinese companies and limit foreign competition, and most U.S. tech companies continue to face hurdles navigating China's economic nationalist and protectionist regulatory environment. Though the global pandemic will continue to dominate the domestic agenda, it will be important for the Biden administration to take action to improve bilateral trade and commerce.

Resume Trade Talks and Prioritize a Bilateral Investment Treaty: The Washington state economy would benefit from increased cooperation with China and commitments from both sides to resume bilateral trade discussions. These regular trade and economic talks between Washington, D.C. and Beijing could take place through the resumption of the U.S.-China Comprehensive Economic Dialogue (formerly the Strategic and Economic Dialogue). Through this dialogue, both sides should commit to advancing a Bilateral Investment Treaty (BIT) to address challenges facing U.S. companies. As this negotiation would take a significant period to complete, Beijing should signal a willingness to improve the landscape for U.S. tech companies in the interim before a BIT is fully negotiated.

Policymakers in Olympia can also play an important role in these bilateral trade talks. Notably, Governor Jay Inslee should encourage resumption of bilateral trade dialogue as a part of his ongoing conversations with policymakers in Washington, DC. He can also advance dialogue and innovation exchange programs through city-level and state-level channels. As a part of this, he could facilitate or engage virtual or in-person delegations from China to discuss the importance enhanced trade and economic ties to Washington's tech sector.

Expand Visa and Immigration Programs: Bilateral visa restrictions, travel bans, and sanctions have also increased during the Trump administration – and as a result reduced people-to-people exchange across sectors. Securing visas for valuable and highly skilled workers from China requires legal resources beyond the means of most small and mid-sized tech companies, which make up more than 80 percent of the Washington state tech sector. While large tech companies have the necessary resources, they are also constrained by an arbitrarily small number of available H-1B visas. This reduced access to talent slows the growth of the tech sector in our state. Increasing the number of visas available to U.S. companies seeking highly skilled talent from China will help the U.S. tech sector remain competitive in new technologies and drive sector growth in artificial intelligence, facial recognition, blockchain, autonomous vehicles, and gene-based therapies, among others. Governor Inslee should take a strong leadership role on this issue and call for enhanced immigration and visa access between the two countries.

Priority II: Intellectual Property and Data Privacy Protections

A long-standing priority for a stronger U.S. trade relationship with China is enhanced intellectual property (IP) and data privacy protections, as U.S. tech companies that manufacture or distribute devices and software in China lack sufficient protections for intellectual property. Additionally, Chinese competitors and state actors continue to attack U.S. tech sector's data and IP. These attacks threaten national security and valuable IP assets, as well as jeopardize consumer safety and data privacy.

Strengthen Intellectual Property Protections: China and the United States have made some progress curtailing IP theft over the past decade. Bilateral agreements and actionable commitments have created meaningful incentives for China to enforce its existing legal processes and deter intellectual property infringement. These agreements have encouraged China to simplify evidence admission into IP courts, as well as to enact civil remedies and criminal penalties to deter intellectual property infringement, with some success. By leveraging bilateral platforms and channels to advance these priorities, the Biden administration may further engage the Chinese government on IP rights enforcement and encourage continued reform in China. In these discussions, the administration should affirm that serious enforcement against corporate espionage and intellectual property infringement is a top priority for the United States. Governor Inslee can also echo these messages and emphasize the severe economic impact of IP theft and adverse impact on competitiveness of major U.S. tech companies, many of which are based in Washington.

Limit State-Sanctioned Information Operations and Cyberattacks: Limiting cyberattacks on U.S. companies is a critical national security imperative for the U.S. Government, and it is also a high priority for Washington's tech companies and consumers. Bilateral engagement has historically shown some success addressing cyberattacks. Notably, the United States and China committed to addressing cyberattacks during President Xi's 2015 State Visit and meetings with President Obama. The two sides also created the U.S.-China High-Level Joint Dialogue on Cybercrime. Taken together, these efforts resulted in a decline in cyberespionage in the period that followed. The Biden administration and officials in the White House, Department of Defense, State Department, and Treasury Department should continue to seek progress on this issue in their bilateral engagements with China.

Priority III: Environmental Protection and Human Rights

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Environmental sustainability and human rights are top priorities for Washington's technology sector. U.S. consumers increasingly demand products that are environmentally sustainable, and a growing share of the tech industry seeks to create products that meet high environmental standards. Yet, manufacturing affordable and sustainable goods remains a challenge – one that is made more difficult when U.S. companies compete with global industries that have limited environmental protections.

Environment and Climate Change: China has notched the world's largest carbon footprint for the past fifteen years, with its greenhouse gas emissions accounting for nearly a third of the global total last year. While this is in part due to China's outsized share of global manufacturing, the lack of environmental oversight and regulation for manufacturers leads to high carbon and coal emissions, enormous amounts of greenhouse gases, and polluted air and water. It also allows industry to damage critical habitats in order to extract raw materials, resulting in desertification, deforestation, and marine decay. Many manufacturers are also improperly disposing of toxic and carcinogenic materials. This lack of environmental protection results in environmental destruction and poor health outcomes that primarily affect poor populations and communities in China. Lenient regulations also allow Chinese industry to produce goods at a lower cost than their U.S. counterparts, placing U.S. manufacturers that must adhere to stringent environmental regulations at a disadvantage.

The Biden administration should urge China to increase its environmental protections and strengthen its commitments within the Paris Climate Agreement. Special Envoy for Climate Change John Kerry recently stated that he will seek to address climate cooperation with China on a "separate track" from other priorities, and as such there are likely to be new platforms and channels for bilateral engagement on these issues. To complement these efforts, the Biden administration should work with China to invest in clean energy and environmentally beneficial technologies.

As Governor Inslee is a global leader on environmental protection and climate change, he can use this influence to encourage the Biden administration to urge China to prioritize environmental protection and climate change mitigation.

Human Rights: U.S.-China ties are also constrained by severely limited human rights protections for people in China. According to the U.S. State Department [2019 Country Report on Human Rights Practices](#), these human rights abuses include:

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Arbitrary or unlawful killings by the government; forced disappearances by the government; torture by the government; arbitrary detention by the government; harsh and life-threatening prison and detention conditions; political prisoners; arbitrary interference with privacy; substantial problems with the independence of the judiciary; physical attacks on and criminal prosecution of journalists, lawyers, writers, bloggers, dissidents, petitioners, and others as well as their family members; censorship and site blocking; interference with the rights of peaceful assembly and freedom of association, including overly restrictive laws that apply to foreign and domestic nongovernmental organizations (NGOs); severe restrictions of religious freedom; substantial restrictions on freedom of movement (for travel within the country and overseas); refoulement of asylum seekers to North Korea, where they have a well-founded fear of persecution; the inability of citizens to choose their government; corruption; a coercive birth-limitation policy that in some cases included forced sterilization or abortions; trafficking in persons; and severe restrictions on labor rights, including a ban on workers organizing or joining unions of their own choosing; and child labor.

Over the past year, the Chinese government also continued its mass incarceration of over one million Muslim-minority Uighurs in Xinjiang, where U.S. human rights reports suggest forced labor, forced sterilizations, torture, and genocidal acts take place.

The United States has responded to these human rights abuses with both condemnation and economic sanctions, and these could widen to U.S. bans on certain products from Xinjiang. Acknowledging and addressing these human rights abuses should be a top priority for the Biden administration, alongside bilateral pressure to end forced labor and discrimination against Uighurs and other ethnic minorities.