

SENATE BILL REPORT

SJM 8006

As of February 21, 2011

Brief Description: Requesting that Congress approve the United States-Korea Free Trade Agreement.

Sponsors: Senators Stevens, Shin and Delvin.

Brief History:

Committee Activity: Economic Development, Trade & Innovation: 2/17/11.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Staff: Edward Redmond (786-7471)

Background: A free trade agreement (FTA) is a trading arrangement that lowers trade barriers such as subsidies, tariffs, and quotas amongst participating countries in order to exchange goods and services based on market demand. The President of the United States (U.S.) has the constitutional authority to negotiate international trade agreements, subject to certain advisory requirements. If a trade agreement requires changes in U.S. statutory law, however, Congress must approve the implementing legislation. Currently, the United States has free trade agreements in force with 17 countries including Australia, Canada, Honduras, Jordan, Mexico, and Singapore.

The U.S. and the Republic of Korea signed the U.S.-Korea FTA (KORUS FTA) on June 30, 2007. According to the Office of the United States Trade Representative (USTR), if approved by Congress, the KORUS FTA would be the U.S.'s most commercially significant free trade agreement in more than 16 years. The USTR further estimates that nearly 95 percent of bilateral trade in consumer and industrial products would become duty free within three years of the date the KORUS FTA enters into force, and most remaining tariffs would be eliminated within ten years.

The U.S. International Trade Commission estimates that the reduction on Korean tariffs and tariff-rate quotas on goods would add \$10 to \$12 billion to the annual U.S. Gross Domestic Product and around \$10 billion to annual merchandise exports to Korea. Pertinent to Washington State, the Department of Commerce International Trade Administration reported that the KORUS FTA would benefit Washington State exports of transportation equipment, computers and electronics products, petroleum and coal products, and various agricultural products.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill: The Washington State Legislature requests that the United States Congress approve the KORUS FTA. Copies of the Senate Joint Memorial are to be immediately transmitted to the President of the United States Senate, the Speaker of the House of Representatives, each member of Congress from the state of Washington, and the Secretary of the United States Department of Commerce.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Staff Summary of Public Testimony: PRO: As a member of the American Exchange Council board of directors, I had the opportunity to tour several locations in Europe in regards to trade including Warsaw, the Czech Republic, and London. I was also able to exchange dialogue with members of the European Parliament on this issue and how both the United States and Europe could mutually benefit. This memorial comes from a model developed by the American Legislative Exchange Council. South Korea is such a wonderful friend to the United States; given the trade relations we have with Korea, particularly here on the West Coast, it would behoove us to appeal to Congress to approve the KORUS FTA.

The Department of Commerce is in support of this Senate Joint Memorial. Asia is an important trading region for the state and our economic future. The Governor traveled to Asia in 2008 for a trade mission; given the region's importance, future trade missions are planned to the region.

Persons Testifying: PRO: Senator Stevens, prime sponsor; Nick Demerice, Department of Commerce.