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United States Ratifies Free Trade Agreement With South Korea

After five years of pendency, Congress passed free trade agreements for Panama, Columbia, and South Korea. These free trade agreements (FTA) greatly open up markets for companies based in all three countries. This Client Alert focuses on the Korea and United States Free Trade Agreement and its likely impact on international business between these two nations.

In June 2007, trade representatives from the United States and Korea signed the Korea-U.S. Free Trade Agreement (KORUS FTA). While supporters felt that this was a significant opportunity for exporters, opposition in both nations -- particularly for those sections pertaining to the automotive and U.S. beef industries -- resulted in a delay in the ratification process. Modifications to those sections in December 2010 lessened that opposition, and on October 12, 2011, the United States Congress ratified the KORUS FTA. The Korean National Assembly will likely ratify it, as well, thereby enabling the trade pact to potentially take effect as soon as January 1, 2012.

The primary goals of the United States for entering the KORUS FTA are (a) to expand market access, (b) to achieve greater compatibility between the U.S. and Korean regulatory systems, and (3) to strengthen the relationship with a valued ally in a critical region of the world. The free trade agreement is comprehensive and covers virtually all trade between the two nations in numerous industries, including (but not limited to) agriculture, textiles, pharmaceutical, financial services, broadcasting, telecommunications, e-commerce, IP protection and enforcement, worker rights, and, of course, automotive.

This free trade agreement promotes greater integration of the Korean and U.S. economies and provides us greater access into the world's twelfth largest economy. Ratification is historic and may present significant business opportunities. According to the Korea Economic Institute, U.S. trade with Korea in the past decade has fallen behind Korea's trade with the European Union, whose FTA with Korea took effect on July 1, 2011. It has also fallen behind Korea's trade with Japan and China. In 2004, Korea had roughly the same amount of trade with both the U.S. and China. Korea's trade with China today doubles that with the U.S. The KORUS FTA will likely help to reverse this trend.

The White House released fact sheets about the KORUS FTA that provide overviews of the agreement, projected impact on the automotive industry, and the economic benefits for the United States. The fact sheets can be accessed on the White House's [website](http://www.whitehouse.gov) along with the [President's Statement Announcing the US-Korea Trade Agreement](http://www.whitehouse.gov/the-press-office/2010/12/03/statement-president-announcing-us-korea-trade-agreement) (<http://www.whitehouse.gov/the-press-office/2010/12/03/statement-president-announcing-us-korea-trade-agreement>).

Butzel Long has had a sustained commitment to Korea for over fifteen years. We have established strong relationships with Korean law firms, government representatives, and the country's many industries. If you have any questions or would like further information regarding the impact of this historic agreement, please contact your Butzel Long attorney or the authors of this Client Alert.

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