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KORUS Free Trade Agreement Takes Effect March 15, 2012

On October 19, 2011, Butzel Long published a Client Alert indicating that the United States had ratified the Korea-U.S. Free Trade Agreement (“KORUS FTA”), a significant bilateral trade pact with South Korea. Since then, South Korea’s National Assembly has also ratified the KORUS FTA and both nations have engaged in months of detailed talks to address the legal and regulatory changes necessary to implement the Agreement. After nearly five years of challenging negotiations, the KORUS FTA will take effect on March 15, 2012.

The KORUS FTA presents significant growth opportunities for virtually all export industries within the two countries. Specifically, the Agreement embodies a comprehensive approach to enhancing trade between the two nations by, among other things, removing or reducing tariffs and addressing existing concerns about workers’ rights and the sanctity of intellectual property. Approximately 80% of U.S. exports of industrial products to South Korea will become duty-free, including aerospace equipment, automotive components, consumer goods, travel goods, and transportation equipment. In addition, approximately two-thirds of U.S. agricultural products will also become duty-free, prompting some within that industry to characterize the KORUS FTA as perhaps “the most monumental bilateral trade pact in industry history.” Likewise, the Agreement creates the potential for Korean exports to the United States to grow substantially.

The impact on the automotive industry is likely to be particularly transformative. For instance, the KORUS FTA should vastly improve market access for automotive companies and suppliers by, in effect, harmonizing motor vehicle safety and other standards (at least until certain thresholds are met), reducing tariffs on automotive imports over the next five years, enhancing regulatory transparency, embracing technology neutrality, and streamlining customs administration.

In short, businesses on both sides of the Pacific that are poised to develop or fortify a global market position stand to benefit from these changes. It is now incumbent on the business communities of both nations to seize this opportunity by developing and growing their respective export capabilities and strengthening the ties between the two countries.

Butzel Long has had a sustained commitment to South Korea for over 16 years. It has established strong relationships with Korean law firms, government representatives, and the country’s many industries. Its attorneys have represented Korean clients doing business in the United States and have participated in numerous automotive and legal conferences in South Korea aimed at promoting legal, business, and diplomatic harmony between the two nations. Butzel Long has been asked by the U.S. Department of Commerce to lead a trade mission to South Korea later this year. If you have any questions or would like further information on how your company can tap into the potential created by the KORUS-FTA, please contact your Butzel Long attorney or the authors of this Client Alert.

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