# ECONOMIC ANALYSIS OF THE COLOMBIA FTA - COREA DEL SUR IN THE AGRICULTURAL SECTOR

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University Esumer

International Business

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# ECONOMIC IMPACT TLC COLOMBIA - SOUTH KOREA IN THE AGRICULTURAL SECTOR

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# Dedicatory

This work is a product of all the effort we have devoted to form us as professionals in international business, but without a doubt, those who have the greatest merit is our father, who have not hesitated to offer us their support throughout our lives at any time..

This work, dedicated to them because in all areas, they have served as inspiration and support to continue, consolidate our dreams and forge a destiny from which we will be proud. Also for all the efforts and sacrifices that were made.

Finally, we dedicate this project to our classmates, people who shared with us all of this academic process experiences during this time and who will soon be together us receiving this important reward for sacrifice and perseverance invested, they recall that while we live was the best experience of our lives and that it later no matter the time or the distance that separates us from now on they will always be in our thoughts.

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## Summary.

This research aims to determine and analyze the economic impact and the level of competitiveness that has Colombia against South Korea in the agricultural sector following the signing of the free trade agreement.

Colombia is a country with a high rate of production in agro-industrial goods due to its climate and soil, allowing us to offer a wide variety of products and meet the demand of the local market, in addition we are given the opportunity to offer the products to foreign countries such as South Korea, taking a significant benefit since the agricultural sector is one of the main economic activities of our country and is a sector which is lack in South Korea..

The main outcome of the entire investigation will give us the clarity and will allow us to identify that as positive or negative is the FTA with Korea, taking the most important products of the agro-industrial sector as measuring points, in addition to evaluating the evolution that has given before signing and after this, finally from the results get conclusively accurate and important recommendations for those potential exporters or objectives who want to learn from This type of agreement.


**Keywords**: TLC; Agriculture sector; South Korea; competitiveness; exports; imports.

# Abstract

The present research aims to determine and analyze the economic impact and the level of competitiveness that Colombia has against South Corea in the agricultural sector after the signing of the free trade agreement.

Colombia is a country with a high production index in agro industrial goods due to its climate and soils, which allows us to offer a great variety of products and satisfy the demand of the local market, also given the opportunity to offer the products to foreign countries such as South Korea, having a significant benefit since the agricultural sector is one of the main economic activities of our country and is a sector that is lacking in South Korea.

The main result of all the research will give us clarity and allow us to identify how positive or negative the FTA with Korea, taking as points of measurement the most important products of the agro industrial sector, in addition, it is intended to evaluate the evolution that has taken place before and after the signature, so that, finally, from the results, it is possible to conclusively give reliable and important recommendations for those potential exporters or targets that wish to be informed about this type of agreement.

**Keywords:** TLC; Agricultural sector; South Korea; Competitiveness; Exports; Import.

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# List of symbols and abbreviations

**List of symbols**

**US$:** Dollars

**%:** Percentage

**&:** Graphical alternative to determine“y”.

**List of abbreviations**

ANDI: National Association of Colombian entrepreneurs.

CAN: Andean Community of Nations.

CARICOM: The Caribbean Community.

DANE: National Administrative Department of statistics.

DOFA: Weaknesses, opportunities, strengths and threats

EFTA: Asociación Europea de libre cambio

FINAGRO: Fondo para el financiamiento del sector agropecuario

HACCP: Análisis de riesgo y puntos críticos de control

KFDA: Korean Food and Drug Administration

KITA: Korea International Trade Association

MERCOSUR: El Mercado Común del Sur, es un proceso de integración regional instituido inicialmente por Argentina, Brasil, Paraguay y Uruguay al cual en fases posteriores se han incorporado Venezuela y Bolivia, ésta última en proceso de adhesión.

PIB: Producto interno bruto

PYMES: Pequeñas y medianas empresas

TLC: Tratado de libre comercio

USD: Conversor de divisas.

## Introduction.

Since the birth of the first civilizations, the commercial exchange between villages or towns has been the main method to expand the economy and diversify markets thanks to the exchange of products, is why that great empires and Nations could flourish throughout history. Ancient powers such as the Egyptian, Roman and Greek made alliances with neighboring Nations, which guaranteed the supply of raw materials, power and, in case of need it, soldiers.

Well, now an essential part of the growth of a country consists of the search for a higher level of development and this has been achieved from the opening of markets and the free exchange of goods; is for this reason that Colombia, from 1990, start a process of trade liberalization which starts more than two decades of internationalization of the Colombian economy. Initially the country seeking support in neighboring Nations and thus are born as ACN, Mercosur, LAIA and NAFTA trade agreements; later, and thanks to the good results obtained, the country seek to expand its commercial borders beyond the near countries and home contacts with Nations like the United States and the European Community, thus obtaining a great growth opportunity by having larger markets where market their products

Within countries with which Colombia has better relationship, is South Korea and is the link that unites them more than 50 years ago, when the South American country was the only nation in speaking of the continent in contributing military elements in the war between South Korea and its neighbor to the North. Given this condition, is not surprising that business contacts for the signing of the FTA between both countries have been as productive especially for sectors like the Agriculture of which Colombia is a strong.

Because of that the agricultural sector is one of the most important in the country, it is intended through this investigative work, highlight the main benefits, opportunities and threats that will bring to el agro Colombiano the signing of the Treaty of free trade with South Korea as well as the challenges that faced the country to compete in a market as diverse and dynamic.

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# 1. Formulation of the Project

## 1.1 Background

The TLC trade agreements between two or more countries that allow regulation of its Mercantile relations, in order to increase trade and investment by those involved and by extension, are strengthen economic and social development. The importance of these agreements lies in the promotion of products and services from the country to the external markets to ensure the exponential growth of the economy, the generation of employment, the significant expansion of exports, the promotion and the creation of new companies by domestic and foreign investment.

In 2010, Procolombia presents in his research entitled report on exports, foreign investment and tourism, all those numbers and relevant inquiries that account for a panoramic view of South Korea: a country of East Asia with high levels of imports, especially of those goods in which Colombia is very strong. At the same time, it is worth noting that in 2007, Korea in its imports with Latin American countries; This can be interpreted as a positive aspect for the continuity of relations with Colombia, Additionally there is a manifest interest in the country to invest for a long period in Latin America.

The above makes a suggestive and attractive market for Colombia and the continent, taking into account that Korea is ranked 13 worldwide in its imports with a significant growth over the years, reaching US$ 356.841 million; in 2007 In addition, Colombia has been beneficiary because according to the records of investment of the Bank of the Republic, the Koreans have invested between 2000 and 2009, the 97.4% ($30.1 million) on the trade sector, the 1.3% ($0.4 million) in the construction sector and 0.6% ($0.1 million) in communications of its capital. Added to this, it should be noted that you between 2006 and 2009, three Korean companies successfully triumphed in the Colombian scene: SAMSUNG, HYUNDAI and GOLDEN OIL.

Kim (2013), in its Mexican magazine entitled the current situation of South Korea economic relations with Latin America: the new paradigm and the challenges, and the authors Arnson, Heine & Zaino (2015) in Colombia and Asia document: trying to recover the lost time, they have investigated South Korea relations with Latin American countries, and demonstrate that the coreano-latinoamericano trade relationship has bonded with force since early 1990s kicking off relations trade with Chile, Peru and Colombia. Regarding the latter, the authors explain that the trade of the country with the Asian continent has grown gradually over the last years; However, still does not reach a representative participation compared to other Latin American countries.

Previous investigations allow us to understand the role that Colombia plays opposite the Asian market, mainly in the Korean market. This generates many reflections and projections, one of them is the approach in which these trade relations can bring sustainable economic growth and facilitate the integration of the country into the global economy enabling the fierce presence of it against other States.

On the other hand, can demonstrate through applied study that Sanchez & barrier (2012) called TLC Colombia - United States and SMEs in the agricultural sector in Colombia made construction of a SWOT analysis and proposal of strategies, positive and negative behaviors of SMEs in Colombia with the implementation of trade agreements. The authors argue that

Colombia is a country characterized by being a streamlined economy, mainly by small and medium-sized enterprises (SMEs) representing 69% of the economic activity, also published by DANE (2016) realize the participation rate in the areas for agricultural use. The diversity of climates in Colombia and the variety of climates allows that in the country is to cultivate a meaningful multiplicity of products, being a motivating factor for agricultural PYMES develops their activities.

With these data it is possible to have a view most successful about the critical representation of SMEs in the economy of the country, at the same time, you can predict almost accurately that you can generate great opportunities for the agricultural sector products through the signing of the Treaty, taking into account that Korea South is a region in which there is a large trade deficit of these products. As FINAGRO (2014) mentions it, is expected to expand the market with this country's agricultural products and products of high technology for agricultural production at a low cost. This type of reports and studies are vital to determine and analyze the parameters that led the Government to decide to carry out an FTA with European and Asian countries.

From that perspective, the FTAS are a double-edged weapon which may affect or benefit according to the development of the same. Thus, one of the main objectives of this research is the determination of the positive and negative factors that separate the implementation of those treaties, in the agricultural sector, as a strategy of territorial characterization, which includes the review of the most recent literature, in order to demonstrate if the problem already has an answer, at least partially. They must analyze works and previous research contributions that are related to the problem that you want to solve.

## 1.2 State of art

At the end of the 1970s, Colombia began to establish several negotiations and approaches with different countries to strengthen the issue of TLC, initially, were implemented with the border Nations conventions; but with the passage of time, they expanded gradually to achieve world-class negotiations. Thus in the year 2014, began a new chapter that gave way to the first TLC with an Asian market: Korea of the South, which would be a cornerstone for Colombia, taking into account that the Asian market has been considered the world's most dynamic economy. Colombia currently holds 16 agreements with various countries geographically, allowing commercial control from different points of the globe: Mexico, El Salvador, Guatemala and Honduras, CAN, CARICOM, MERCOSUR, Chile, EFTA, Canada, United States, partial scope agreement with Venezuela, Cuba, Nicaragua, European Union, Alliance of the Pacific, Costa Rica and in the case of this investigation, South Korea.

In recent years, Colombia has constantly strengthened its international relations, through the identification of new initiatives with a view to an internalization of its economy through trade agreements as most recent case with Korea in the South, which came into effect from 15 of July 2016. In Legiscomex (2013), can reveal the background data on the rounds of negotiation, as well as regulations and schedule of tariff reduction for products published by the Ministry of Commerce, industry and tourism (2010) . With the signing of the new agreement is expected an increase in exports, an increase of foreign investment and the reduction of tariff barriers for the export of goods and services. The report by Fedesarrollo (2009), stated that an TLC with South Korea generates economic benefits for the country and a projection in the increase in real PIB in a little more than 0.5%.

In terms of viability which is the signing of the FTA with Korea, the González (2015), discusses the possible negative consequences that could bring that agreement for the Colombian automotive sector. Gonzalez argues that it should be discussed in a way deep has been agreed in the rounds of negotiation, since when there are significant asymmetries between the countries could end handicapped which are still developing. In this case, the Asian country has achieved significant advances positioning it as one of the most technified States in comparison to Colombia which is still developing and their degree of industrialization in the automotive industry is uncompetitive.

On the other hand, Lee (2013) and Perez (2014), in their research examined the opportunities of increase of exports to the companies of the agricultural country by significant elimination of tariffs for products such as coffee, flowers and banana, which will have a gradual elimination of taxes. In that vein, as Perez (2014), exposes him coffee would be products with greater comparative advantage, gaining immediate access to the Korean market and a significant growth.

Therefore, that the application of the Treaty on free trade between the two countries will strengthen economic exchange, creating new spaces and opportunities for companies in each country, increasing the quality of products offered in many segments of the market (Fedesarrollo, 2009).

In conclusion, the economies of South Korea and Colombia should not be as competition but as a reciprocity to the benefit of both "the lack of one is the richness of the other"; for agricultural and mining products demanded by the Asian country a source of supply and vice versa they are expensive by its scarcity found in Colombia, the South American country benefits from the technology and innovation of the Korean industry. Experts argue that this free trade agreement more than a challenge must regard it as a negotiation that somehow obliges employers to develop and implement innovative actions, strengthen the strengths and improve their production processes taking into account than to enter a market with high potential demands are many greater.

## 1.3 Approach to the problem

Currently, the Republic of Colombia has a series agreements of free trade agreement (TLC) signed with various countries, the signing of these agreements has brought to the country representative economic increase which, in turn, has strongly fought with small producers in most agricultural sectors in the country.

After signed the TLC with Korea in the case of the agricultural sector, all products of export interest will have preferences, 99% with gradual reductions, and by the end of the agreed period stay with zero tariff; products where you will find greater opportunity of export are: fresh flowers, derived from coffee, confectionery products, seeds, flour milling and bakery products, as well as crustaceans and molluscs, these products also have a fairly advantageous tariff preference for Colombia.

In the past two years the investment in Colombia has grown around three times more than PIB, making it the most dynamic engine of economic growth. The dynamism in investment is due primarily to improvements in security conditions and the best environment for doing business. The second most dynamic engine of recent Colombian growth were exports, which have grown more than PIB in recent years, but with less than the (ANDI, 2015) investment expansion.

According to a report by (Chamber of Commerce Medellín, 2015) pose that PYMES are a segment that comes to gain share in different indicators of the economy of Antioquia and constitute a powerful catalyst of growth and specialization of the enterprise base.

From the above, it is necessary to investigate the advantages and opportunities provided by this commercial Treaty, to demonstrate these new possibilities that could increase exports of agriculture products.

Something positive for Colombia, is that in 2011 before it was signed the deal, coffee exports and their derivatives reached a $ 97 million, being the first category of exports in that year, the previous result is expected that with the closing of the trading increase considerably exports, causing a strong national growth, especially in small enterprises. Also Colombia has greater advantages in comparison with countries like Peru, Chile, Viet Nam, Indonesia and India, since Koreans gave it an agricultural package far exceeding that granted to the countries mentioned above.

From the above you want to analyze what has been the development of the agricultural sector with the signing of the FTA with Korea?

## 1.4 Justification

### *1.4.1 Justification Theoretical*

The research is conducted in order to give clarity to the agricultural sector about the advantages and disadvantages that you have with the new TLC Colombia - South Korea. In this way show the strengths and weaknesses that arise in this economic sector and expand the degree of understanding of that Treaty to get the most benefit.

Propose possible outcomes and conclusions about the opportunities that you have to increase the trade between Colombia and Korea of the South before the signing of the Treaty, results that had not been analyzed in any other study in a timely manner.

### *1.4.2 Social Justification*

This work is intended to conduct a study of the economic impact of the TLC in the agricultural sector, describing the effects of the Treaty by means of research, documents, press articles, where the prospect of the analyzed sector entrepreneurs is displayed. In this way becomes an analysis tool that will allow more specific information and help for the diagnosis of the companies of the sector study on the impact, risks, opportunities and benefits that are taken with the entry into force of this Treaty.

## 1.5 Objectives

### *1.5.1 General objectives*

Analyze the economic, political and social impact of the free trade agreement between Colombia and Korea of the South in the agricultural sector by identifying opportunities and threats.

### *1.5.2 Specific objectives*

- Summarize the Treaty on free trade between Korea of the South and Colombia focusing to the agricultural sector.
- Demonstrate the opportunities and threats of the main products of the agricultural sector of Colombia in the TLC with South Korea.
- Describe the impact of TLC in Korea of the South in the agricultural sector.

## 1.6 Methodological framework

### *1.6.1 Method*

This research will be developed by applying the analytical method through the achievement of information concerning of the TLC with South Korea and the relationship with the agricultural sector and entities that in one way or another are involved in the development of international trade. With the documentary analysis, it will delve into collected information giving answer to the subject of the investigation.

### *Methodology*

The methodology used to develop this work has an analytical approach, starting with an investigation of documentary type of bibliographic sources such as textbooks, reference material found on the internet, databases on macroeconomic figures of Colombia and Antioquia from sources such as the DANE and the Chamber of Commerce of Medellín, also official publications collected mainly from the Ministry of Commerce website Industry and tourism, Fedesarrollo, among others.

Based on the research, is to identify the characteristic of agricultural sector, knowing the products and the level of participation that have been in the South Korean market and finally we will analyze the impact of the TLC on the sector in mention identifying the benefits and cons for the economy of our country.

## 1.7 ACHIEVEMENTS

The research aims to analyze the documents, to describe the economic impacts that brings the TLC and show the different possibilities and obstacles which faced the agro sector at the time of negotiating with Korea, in order to know the aspects that should be improved to mitigate the negative impacts that may affect not only the sector but also to the country.

# 2. Project implementation.

## 2.1 Free Trade Treaty (South Korea, Colombia)

In order to understand more fully the treaty of free trade agreement between South Korea and Colombia, it is required to go deeper into various topics that were vital to the start of the negotiation process, it is for this reason that the next chapter delves into the contents as the characteristics of the Asian country, reasons which led to establish contacts between the two nations and the subjects dealt with in each of the negotiating sessions. The Republic of Korea is located at the easternmost end of the Asian continent, has an area of 99.866 km2 and a population of 51.015.000 inhabitants (datosmacro.com, 2015), also has a per capita income approximate to the USD 31.714 what positions it over countries like India and some countries in Europe (Procolombia, 2013).

In terms of its economy, South Korea represents one of the most striking examples of industrial growth; during a period between the years 1910 and 1945 the country was a colony of the Japanese Empire and both their political and economic decisions were linked to the orders of the emperor. However after the end of the second world war, Japan lost control of the peninsula, which happens to be disputed by the Soviet Union and the United States, which led to a war that culminated in the division of the Korean peninsula in two different nations in both territory and ideology; on the one hand was South Korea who were supported by the United States and the other was North Korea.

To be able to reach the level that currently owns, the country had to make several changes in its economic model, industrial and productive; among the major reforms is the decrease in imports of consumer goods and machinery intended for the production, with the aim to promote the consumption of domestic products and mechanize the processes. In addition to advances in manufacturing, begins a process of market expansion that focused on the export of finished products (Arcila, 2009) and the import of technology and inputs for the production with high added value.

In Korea, has emerged as one of the largest economic and industrial powers, for the year 2012 the Asian country ranked eighth within the scale of countries with the highest number of imports by recording the amount of USD 519,566 million (Procolombia, 2013), however due to the fact that Korea is relatively small does not possess large tracts of land suitable for agricultural production, and for that reason a country such as Colombia (which are mostly agricultural exports) have a great potential of business.

However, at present the major trading partners are the United States, the European Union and neighboring countries such as Venezuela, while exports to the Asian territory only account for 5%, according to argues Sandra Salamanco Director of the Asia focal point of the ANDI, "The FTA with Korea means a big step forward in strengthening the presence of Colombia in Asia Pacific, the most dynamic economic region in the world," and it is that Asia represents close to 34% of GDP consolidated in the world, in addition to being the most densely populated continent and have a broad economic development thanks to countries like India, China, Japan, and, in the particular case, South Korea (Polanìa, 2016)

According to Ligia Marcela Garzón Escobar and Cristian Mauricio Salazar Sarmiento (Sarmiento, 2014) some of the main reasons that led to both governments to initiate approaches are:

- Diversification of markets as a result of the opportunity that Colombia has made your first commercial treaty with a country of the Asian continent.
- The commercial relationship with South Korea could serve as an impetus for a possible trade negotiation with countries such as Singapore and Japan.
- Preferential access to raw materials and quality inputs from the Asian country.
- the gradual elimination of tariff charges would make the Colombian products (especially agriculture) are more competitive in the South Korean market and therefore would give a big boost to the export of the same.
- Would Be an important transfer technology that would benefit the Colombian productive market.
- Several years Colombia has expressed its desire to make part of the APEC (Asia-Pacific Economic Cooperation); with a commercial relationship with a country belonging to this group opens the possibility of Colombia to become a member and in this way would be preferential entry to the Asian market.

- Of all the trade agreements that Colombia has signed this would be the most beneficial because it really exploits the strengths of both countries and complements the weaknesses between them, that is to say, Colombia would give their full potential agricultural and agroindustrial while Korea offers its technological and machinery.

On the part of the Asian country, and according to the Korean ambassador in Colombia, the country is extremely attractive due to certain special conditions that this presents, within these, is their classification within emerging markets most promising or as it is more commonly known the CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa), it has a population of approximately 46 million inhabitants and is the third largest market in Latin America (investors, 2015). In addition, Colombia is located in a geographical point that is strategic for the ambitions of South Korea because it serves as a connection point for the whole of the American continent.

Due to the reasons mentioned above, in the year 2009 Colombia and South Korea started negotiations for the signing of a bilateral free trade agreement that consisted of 7 rounds and 5 "mini rounds" distributed in the following way:

**Table 1. Rounds and rounds of negotiation**

| TYPE OF MEETING | DATES | PLACE | THE THEMATIC |
|---|---|---|---|
| First Round | 07 to 10 December 2009 | Seoul, Republic of Korea | Were the objectives and principles of the agreement. |
| Second Round | 01 to 05 march 2010 | Bogotá D.C, Republic of Colombia | • Access to markets<br>• Rules of origin<br>• Customs Matters<br>• sanitary and phytosanitary measures<br>• technical Barriers to<br>• Trade in services trade<br>• Comercio de servicios<br>• Telecommunications<br>• Investment |
| The first mini round | 03 to 05 may 2010 | Los Angeles, United States | We analyzed the texts of market access for agricultural and industrial |
| Third Round | 14 to 18 june2010 | Seoul, Republic of Korea | Were the themes of the second round of which were completed to negotiate issues such as telecommunications, Resolution |

| | | | |
|---|---|---|---|
| | | | of disputes, technical barriers to trade and diversification of exports of Colombia |
| Second mini round | 06 to 10 september 2010 | Washington, United States | Topics such as cross-border trade in services (investment and measures), rules of origin and temporary entry of business people |
| Fourth Round | 04 to 08 october 2010 | Cali, Republic of Colombia | Were operated on topics such as origin procedures, access to markets for agricultural goods, public procurement, trade defense. etc. |
| Third mini round | 07 to 09 february 2011 | Los Ángeles, United States | Were operated on topics such as national treatment to agricultural and non-agricultural goods in addition to the rules and procedures of origin. |
| Five round | 10 to 14 october 2011 | Seoul, Republic of Korea | Were operated on issues such as access to agricultural and non-agricultural markets, sanitary and phytosanitary measures, trade defense. Etc. |

| | | | |
|---|---|---|---|
| four mini round | 29 February to 01 march 2012 | Atlanta, United States | It was noted the agreements reached with regard to the base tariff of liberation |
| Fifth mini round | 27 to 29 march 2012 | Chicago, United States | Topics such as coverage and mode of application to public procurement, protection of satellite signals, cooperation in the field of industry, etc. |
| Six round | 23 to 27 de april | Cartagena, Republic of Colombia | Completed chapters of public procurement and cooperation |
| 7Th round | 11 to 13 june 2012 | Seoul, Republic of Korea | The culmination of the negotiation rounds |

**Source:** Mincomercio. (2017). *Ministerio de industria, comercio y turismo.* Obtenido de http://www.tlc.gov.co/publicaciones/738/rondas_de_negociacion

The table above we can see evidence that took a reasonable amount of time between each round of negotiation to allow delegations to study in depth the topics discussed and that would be addressed at the next meeting, In addition we noted during the investigation that topics such as the protection of intellectual property, investment and cooperation were prevalent within the rounds which demonstrates the commitment of both nations to establish a lasting relationship and beneficial in all possible áreas.

For the day 25 of June of 2012, the countries officially announced the conclusion of the rounds of negotiations for a free trade agreement, which was signed by Colombia on day 21 of February of the year 2013 and entered into force on 15 July of the year 2016.

According to the Korea International Trade Association (KITA or organization created with the purpose of boosting the Korean economy through trade) The FTA signed by both nations can be framed within 4 chapters.

- **Trade Facilitation:** within this chapter stands out as a major achievement the inclusion of nearly 96% of the products that both nations may generate, in addition to having a tariff plan with a maximum period of up to 16 years; this will help to ensure that both economies are able to take the necessary measures for the entry of the products to each market. On the other hand, and in particular to Colombia, can help producers manage to assimilate and give effect to each of the specific provisions of the Treaty which leaves in such sensitive issues such as rules of origin and sanitary measures.

• Thanks to the measures taken by both nations, it is expected that a process of expansion of both markets due to the reduction of tariffs, coupled with the increase in the consumption of products generates a greater volume of production and therefore a significant increase in exports.

• **Investment:** Colombia sought in this chapter to establish a fair and transparent legal framework to promote investment but also present a highly reliable and stable environment for the investor and that this can see protected both its investment as the flows that it is responsible. As a result of the covenant is an agreement based on a model of pre-establishment by means of which gives the investor a protection even before installing your investment. Due to the characteristics of this model can retain the possibility to exclude from the application of national treatment, most favored nation treatment, performance requirements to those sectors and/or activities that they considered as strategic for the country.

In addition to the above, it is ruled other commitments on issues such as the treatment will be given to investors, the standards of responsibility that it would take every nation, with respect to investment from another state, rules for the investor compensation in case of expropriation and finally the mechanism to be used for the resolution of disputes between investors and states.

• **Intellectual Property:** in this particular issue is presented the special measures for the protection of trademarks and patents of both nations, the protection of the satellite signals and gave special importance to the protection of the rights of author.

- **Institutional Provision:** By means of this FTA the Asian country seeks to enter sectors such as energy and exploitation of natural resources by sending companies and Korean workers to Colombian territory, however not all of the benefit will be for Korea as Colombia will have the possibility to export products such as nickel, oil, iron ore and coal with reduced tariff**.**

In conclusion after analyzing the free trade agreement signed between the Republics of Colombia and South Korea, we can see that there is a great opportunity for growth for the domestic market in sectors such as agriculture and manufacturing where the Colombian products could have a strong reception thanks to the characteristics presented by the South Korean consumers, as well as special care was given to the rules agreed to encourage investment in both countries, this is of vital importance because what is sought with this type of treaties is to strengthen ties with member countries and have effective mechanisms to negotiate

From our analysis we see with some scepticism this treaty and is that, in spite of the multiple benefits that you can get to offer and all the items traded we would not be facing a country economically superior to our own, and with much more demanding market to which we are accustomed what could determine a complete failure in the aspirations that we have if strong measures are not applied in areas such as quality, production and logistics.

## 2.1 Opportunities and Threats of the agricultural sector in Colombia

Colombia is a country that has been characterized as a predominantly agricultural economy thanks to its privileged geography, climate and fertile soil suitable for different types of crops. Since the times of the Spanish conquest and colonisation of the territory until now the agricultural sector in Colombia has suffered a series of evolutionary transformations as shown in the following table 2::

**Table 2. History The agricultural sector.**

| Period (Date) | CARACTERISTIC |
|---|---|
| Before 1810 | The agricultural structure was characterized by the formation of large estates, which were carved by natives and slaves. The agricultural development was in the stage of "blossoming" due to the high demand for raw materials on the part of the Spanish crown |
| 1821 | The Congress defined the first agrarian reform, the caula consisted in the establishment of tax of 25% for the import of agricultural products |
| 1824 | A special momentum to the agricultural sector by giving release to coffee, cacao and indigo (plant extracts that give the indigo color) for the payment of tithes ecclesial. |
| 1850 | The beginning of the navigation for the Magdalena River, which led to the link between agricultural products from the interior of the country with foreign markets, were consolidated products such as coffee, sugar cane, quinoa, cacao, cattle and tobacco. |

| | |
|---|---|
| 1855 | The agricultural product presented a share of 64.78% of exports |
| 1898 | Consolidates the coffee market in introducing a participation of 49% of exports, while tobacco had a strong fall in presenting only 8.3% of the total. |
| 1934 | It begins a process of agrarian recovery that leaves as a result an annual growth rate of 2.1% between the years 1935 to 1940 |
| 80 Decade | Because of problems such as the industrial crisis of the 70, rural violence, liberalization of imports, low agricultural investment, and global agricultural surpluses, there was a serious crisis in the sector. At the end of the decade gave a new impetus to agricultural policy through the selective offer program which provided credit, technology, mechanization, technical assistance and marketing to agricultural products. |
| 1992 | As a consequence of the economic opening that suffered Colombia at the beginning of the 1990s was presented one of the strongest agricultural crisis in its history by presenting a decrease of 12% of their crops |
| 1993 | A recovery plan which included an intervention in the marketing, medium to discourage imports, the creation of safeguards and a plan of rural employment |
| 1998 | Strengthened the competitiveness of the productive chains and promoted partnerships. |
| 2002 | The planting area had a growth of 9.5%, while the agricultural |

| | |
|---|---|
| | exports a 11.9% |
| 2003 | Starts the program, income insurance which was preparing the sector for a possible FTA with the United States; in addition, the exporting party bet program which consisted in defining some crops and regions with high export capacity to give some special benefits. |
| 2006 | Between the years 2002 and 2006 agricultural production had an increase of 7.9%. The cultivated area of 6.7% and 7.3% of exports |
| 2006 – 2008 | The agricultural GDP had an increase of 11.7 per cent, while exports declined |

**Source:** finanzas, E. (02 de Febrero de 2010). *Portafolio.* Obtenido de http://www.portafolio.co/economia/finanzas/sector-agropecuario-1810-183156

Thanks to the information provided in the table above, to analyze the agriculture has been one of the most important lines within the Colombian history, would dare to say that both the agricultural sector as the country grew to the couple; thanks to this development, Colombia was able to put within their aspirations for a country like South Korea which (due to its geography) must import almost all of the products of the agricultural sector, at which point we are stronger

After several years of negotiations in 2016, entered into force the Treaty on Free Trade between Colombia and South Korea , which left some sectors such as big winners, among them is the agricultural sector, this is due to the fact that it has a very wide range of goods that are of the full interest of Korean consumers, products such as coffee and its derivatives (the country's flagship product), flowers, meat products (both sheep and pigs), tropical fruits (in particular), vegetables, cigarettes, ethanol, poultry, dairy, confectionery, jams, juices, among others, will be favored by the reduction of tariffs.

The following table 3, you can see some of the products that were the beneficiaries of the agreements between the two countries and for which it has a special schedule of tax relief..

**Table 3. Products timetable.**

| PRODUCT | TIME OF TARIFF |
|---|---|
| Flowers | Reduction between 3 to 5 years for carnations, chrysanthemums, roses. Etc. Fresh flowers are a product of great consumption for ceremonies as well as for decoration in hotels. Colombia is the second largest supplier of flowers, after China, with sales of US$5.1 million and a market share of 23.8%. |
| Banana | Remove the current tariff (30%) tax in 5 years |
| Frut | It was agreed that the clearing of lien in terms ranging between 5, 7 and 10 years. |
| Dairy products and its derivatives | For products such as sera, skim milk and ariquipe tariffs will be eliminated in periods of 10 to 16 years; for drinks tax relief will take place immediately between the entry into force of the agreement. |
| Pig meat | Plans are under way for the elimination of the tariff in a period between 10 to 16 years |
| Vegetables | Negotiated a reduction of tariff in terms ranging between 5, 7 and 10 years. |

| | |
|---|---|
| Sugar | The covenant is the dismantling of tariff of 35 per cent in a period of 16 years. |
| Cocoa | Tax relief is projected in terms of 3 to 5 years, it is also one of the products with the highest increase in consumption so it is expected that their export is very significant. |

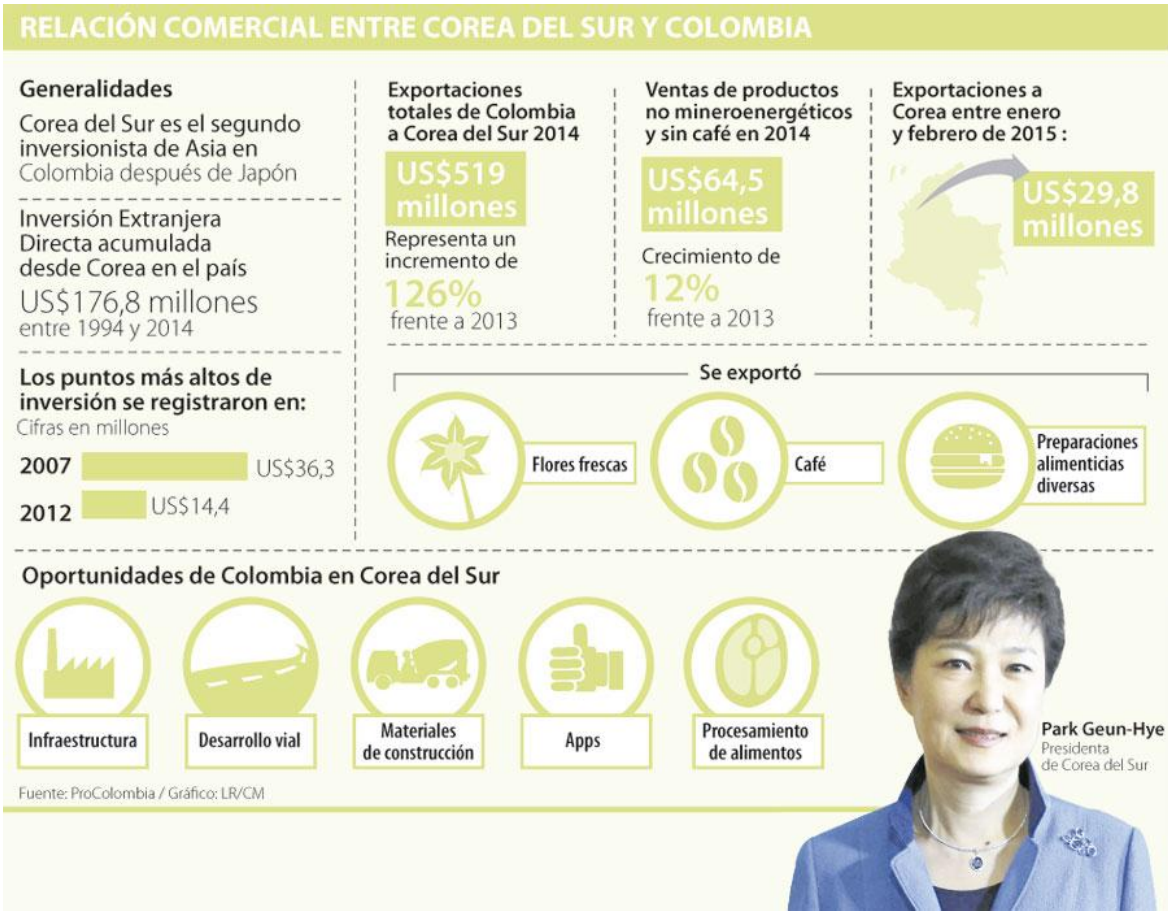
**Source: Elaboración propia**

the above table can extract three Colombian star products due to their characteristics have a greater chance of expansion in the Korean market, these are coffee, flowers and meat sector.

- **<u>Coffee:</u>**

In the following image you can see some interesting data of the bilateral relationship that has maintained Colombia with South Korea

**Figure 1. Trade relationship between South Korea and Colombia**




**Source:**

Giraldo, C. F.-C. (18 de Abril de 2015). *la republica.* Obtenido de http://www.larepublica.co/caf%C3%A9-frutos-y-flores-secas-entre-las-oportunidades-con-corea-del-sur_244986

The previous image let us see that the commercial relationship between both nations has been productive but it is far from being of the utmost importance for the country, this is why this FTA are looking for more dynamic relationships and locate to South Korea within the countries with the highest trade with Colombia; in addition it can be noticed that both the flowers and the coffee have traditionally been products of higher exports to the Asian country.

By the side of the coffee we see that the Asian country, is one of the countries with the highest rate of consumption, it is estimated that at the present time Colombia supplies 10% of the close of the market, however, with the immediate reduction to zero percent of the green coffee and the gradual reduction of the levy to the roasted coffee it is estimated that Colombia could empower the 30% of the market, which means a significant increase in the production and export of this traditional product.

Coffee consumption among the Korean population has also presented a very significant increase, it is estimated that at the present time there are close to 15,000 shops that specialize in this drink, brands such as Starbucks, Coffee Bene, and hollys coffee already make a presence in the market especially in the so-called "specialty coffee", in addition to the year 2015 was presented an increase of 10% in the number of stores and these, in turn, showed an increase of 6% in the volume of sale.

On the part of the niche market, it has had information that the population older than 30 years has traditionally been the largest consumer, however, this trend has been modified in recent years due to factors such as the accelerated growth of its economy, the income per capita of its population and the adoption of western customs have made consumers more and more young people are interested in this type of drink, corm consequence the market demand constantly product innovation in the market to meet your demand, and this is a window of opportunity for the Colombian coffee guild and its range of products.

On the other hand we have two sectors that are of the utmost importance for Colombian exports and the potential which would mean the highest percentage of sales in Korea; on one side is the on-trade sector which has restaurants, hotels and places of food that represent the 80% of the consumption of fresh coffee while the off-trade sector which is represented by the supermarkets, hypermarkets and specialty shops, this sector represents 99% of the sales of instant coffee (item in which Colombia has a quality that stands out to some of its competitors).

According to the manager of the National Federation of Coffee Growers there is a great potential for exporting coffee to the South Korean market and this is evident in its consumption trend is that for the year 2012 reached a figure of approximately 1,600,000 sacks and is projected an annual growth of about 2.8% what evidence the great possibility of export that has Colombia. For the year 2015 exports of roasted and unroasted coffee of Colombian origin accounted for 16 per cent of the imports of this product, also presented an increase of 11% in the Colombian exports with respect to the immediately preceding year as shown in the table 4

**Table 4. Main origins of the Korean imports of coffee.**

| Main origins of Korean imports of roasted and unroasted coffee | | | | |
|---|---|---|---|---|
| Exporter | 2014 | 2015 | Var. % 2014-2015 | Part. % 2015 |
| Brazil | 74,2 | 87,2 | 17,60% | 15,90% |
| Colombia | 76,9 | 85,3 | 11,00% | 15,60% |
| Vietnam | 69,3 | 55,4 | -20,10% | 10,10% |
| Perú | 43,7 | 36,2 | -17,30% | 6,60% |
| United States | 35,5 | 34,9 | -1,50% | 6,40% |
| Ethiopia | 29,6 | 34,8 | 17,50% | 6,40% |
| Malaysia | 13,7 | 25,1 | 83,70% | 4,60% |
| Honduras | 31,6 | 22,7 | -28,10% | 4,20% |
| Guatemala | 18,3 | 20,9 | 14,30% | 3,80% |
| Other | 134,4 | 144,4 | 7,40% | 26,40% |
| World | 527,2 | 547 | 3,80% | 100,00% |
| | | | | |

**Source: Procolombia, agosto de 2016.**

Colombia is located in the second position of the coffee exporting countries to the Korean market (only surpassed by Brazil), however it is very close to a country such as Vietnam, which has a great advantage over Colombia because of its proximity, this is why it is estimated that with the entry into force of the Treaty of free trade Colombia can substantially improve their competitiveness compared to their "rivals" thanks to the total elimination of tariffs.

In Table N.5, shows the two tariff subheadings that correspond to special coffees that come with the total elimination and the periods in which they are fulfilled such a reduction..

**Table 5. Tariff for coffee.**

| **Special Coffees - South Korea** | | | | |
|---|---|---|---|---|
| Position | Description | General Tariff | Tariff Colombia after entry into force of the FTA | Tax relief period (years) [1] |
| 09.01.21 | Roasted, not decaffeinated, ground or whole bean | 8% | 0% | 0 |
| 21.01.11 | Extracts, essences, concentrates of coffee and instant. | 8% | 5,30% | 3 |

**Source:** Procolombia, E. (Agosto de 2016). Obtenido de Procolombia: http://www.procolombia.co/actualidad-internacional/agroindustria/con-el-tlc-el-cafe-tostado-y-molido-tiene-liberacion-inmediata-en-corea-del-sur

Thanks to the investments made by the coffee group to improve its portfolio of products (especially in the so-called special coffee) is seen with certain "bittersweet" the information in the previous table because there is an opportunity in the roasted coffee thanks to its immediate relief however for the variety of instant coffee to wait three years to have tariffs to zero % and according to data supplied previously made use of this type of drink is the most consumed in South Korea

- **Flowers:**

By the side of guild grower their dreams were cut short after the final text of the agreement, and it is that this sector represents nearly 4% of GDP and has been for many years one of the most emblematic products of the Colombian economy (next to the coffee and bananas) but unfortunately was one of the most affected by the tariff periods agreed at the negotiating table.

According to figures for the year 2011, Colombia exported a total of US1.239 million in flowers of which US1.2 million correspond to the South Korean market being the hydrangeas the most prized with a growth of 128.1% compared to the year 2010 and is that Colombia stands out as the country with the highest number of variety of flowers (1500) thanks to the special conditions that presents its geography, also presents itself as the second largest exporter, After the Netherlands, what makes this sector had great expectations in the signing of the treaty, however, the result of the treaty was a serious blow to the expectations set by the growers due to the fact that the agreed conditions fail to the guild to be competitive in South Korea mainly because the tariff was put in periods between 3 and 5 years, while the Netherlands (direct competitor of Colombia and who signed an agreement with South Korea) has a total tax relief immediately enter in treaty in force. For this reason, it can be noted that one of the products that expansion could have in South Korea will have to put your look in the traditional market of the United States and seek new horizons in countries such as Canada and Germany.

- **<u>Meat Sector:</u>**

Unfortunately not all are good news for the Colombian Agro-industrial sector because to enter a market such as Asia implies that products that are exported must comply with quality standards much higher than currently are handled; As shown is the meat sector since to enter their products to the Asian country you must meet a number of sanitary and phytosanitary measures that were included within the obligations of the agreement, for example for the beef Korea matter (on average 43% ) a product from the United States and a 36 per cent of New Zealand, this means that Colombian farmers should not only compete with countries with a high technological content in meat production but with a logistic network are much more advanced than the Colombian.

At the global level the sanitary and phytosanitary measures that are imposed to the entry of any type of food are similar in a way, given that each nation seeks to ensure that the products arrive to their markets have a high degree of safety and does not become a threat to their consumers, however south Korea presents some special features in their requirements and consist of three items that are indispensable for the entry of any product that is for human consumption. These requirements are:

Hazard analysis and critical control points (HACCP): this system makes it possible to identify the specific risks and the measures that should be applied to ensure the complete safety of food, is applicable to the whole food chain from the producer to the consumer. Within its multiple benefits is a maximum use of the available resources in addition to a timely response to the potential problems that may arise at any point in the supply chain both production and supply.

To ensure the correct application of this system it is necessary to the formation of a multidisciplinary and highly committed team that includes, among others, agronomists, veterinarians, production personnel, microbiologists, public health specialists, etc. The HACCP system consists of the following 7 key principles:

- Principle 1: identification of possible threats and risks in all phases of the chain from cultivation to its arrival to the final consumer
- Principle 2: Determine the points in the chain that you can exercise control in order to eliminate the risks or reduce its possible date.
- Principle 3: Establish critical limits that must be met in order to have the control point in complete normality.
- Principle 4: Establish an effective surveillance system for os control points.
- Principle 5: establish the measures to be taken in the event of a control point shows signs of alarm.

- Principle 6: establish test procedures to determine that the control points to operate effectively.
- Principle 7: Establish a documentary system for all procedures.

In South Korea, she is currently in this system is regulated by the law on food safety and is of mandatory application for the importation of products from any source. Maximum residue limits for chemicals and pollutants: the food code of Korea set the parameters allowed for chemical residues such as pesticides and veterinary medicines of type (heavy metals, radioactive materials, toxins, and/or micro toxins).

In the case of pesticides, if the boundary is not within the food code will use the standards established by the Codex Alimentarius Commission while in the case of veterinary medicinal products if they are approved by the Korean legislation must not be present in any food.

Traceability of the product: this item is not completely compulsory for exporters however it is advisable to have a greater control of the products within the supply chain, especially for such long journeys.

In order to implement a traceability system are required to file an application with the Korean Food and Drug Administration (KFDA) and comply with the requirements set out by this entity.

In addition to the request it is necessary to send a traceability plan that includes:

- Information on the traceability system (hardware, software, data bases. Etc.)
- Information on the product to be exported
- Information on the place of storage, distribution and sale.
- Plan for recovery and destruction in case of any anomaly.

It is not surprising that these items of concern to Colombian farmers because the country lacks sufficient technology to get to be as productive as competition and this is due to reasons as diverse as the politicization of the guilds, little investment in science and technology and, of course, security problems afflicting the country; in the words of Senator Vivian Morales "We come to say that we are going to be able to compete with New Zealand and Australian farmers by the South Korean market".

Additional data such as Colombia currently has the same cattle inventory to be had for nearly 25 years (Finkeros, 2014), which indicates the low investment in the sector.

On the other hand there is an issue which for several years has emerged as the major impediment to the Colombian competitiveness especially in the field of agriculture, the poor logistics network in the country and is that issues such as the high price of fuel, travel times, the conditions of the tracks, the prices of freight rates and the low capacity of ports make the Colombian products come abroad with a high percentage of cost overruns and therefore with a final price much higher than the rest of the competition. Not to mention, as well as the livestock, there is very little technological innovation to improve the processes that generate products with low value added.

With these three products we can see evidence that the FTA with Korea is not as beneficial as many mention it because that Colombia has a good potential for agricultural products, in all the research you can see that there are countries with greater benefits in terms of technology, logistics and one of the most relevant geographical situation with the competitors of Colombia since it is located very close to the country Korean.

**2.3 Impact of NAFTA on the agricultural sector**

The FTA signed with South Korea has brought great expectations for the Colombian agrarian sector to have a new market in which market their products, however their results can not be shown in such a short period of time, since its entry into force to date as they have past few 11 months so that it is difficult to present a comprehensive evaluation, in addition to being a little time to make judgments regarding your success or failure.

Speaking of Colombian exports (all sectors included) during the year 2016 the Asian country fell below treated as the CAN, ALADI, and the European Union however presented a positive variation of 75.3% compared with the year 2015 (as shown in the following table 6) taking into account the fact that the FTA came into force to the middle of the year 2016.

**Table 1. Colombian Exports 2016**

| Destino | Enero - Diciembre | | | | |
|---|---|---|---|---|---|
| | r FOB (miles de dólares) | | | | |
| | 2015$^p$ | 2016$^p$ | Variación % | Contribución a la variación | Participación (%) |
| **Total** | **35.690.776** | **31.044.991** | **-13,0** | **-13,0** | **100,0** |
| **ALADI** | **9.266.920** | **7.778.626** | **-16,1** | **-4,2** | **25,1** |
| **Comunidad Andina** | **2.729.885** | **2.399.207** | **-12,1** | **-0,9** | **7,7** |
| Bolivia | 149.215 | 148.687 | -0,4 | 0,0 | 0,5 |
| Ecuador | 1.432.593 | 1.199.721 | -16,3 | -0,7 | 3,9 |
| Perú | 1.148.078 | 1.050.798 | -8,5 | -0,3 | 3,4 |
| **Resto Aladi** | **6.537.035** | **5.379.419** | **-17,7** | **-3,2** | **17,3** |
| Argentina | 150.654 | 176.212 | 17,0 | 0,1 | 0,6 |
| Brasil | 1.189.887 | 994.850 | -16,4 | -0,5 | 3,2 |
| Chile | 736.749 | 670.048 | -9,1 | -0,2 | 2,2 |
| Cuba | 38.806 | 33.517 | -13,6 | 0,0 | 0,1 |
| México | 914.260 | 936.878 | 2,5 | 0,1 | 3,0 |
| Panamá | 2.394.166 | 1.912.105 | -20,1 | -1,4 | 6,2 |
| Paraguay | 22.579 | 22.438 | -0,6 | 0,0 | 0,1 |
| Uruguay | 29.761 | 19.438 | -34,7 | 0,0 | 0,1 |
| Venezuela | 1.060.173 | 613.933 | -42,1 | -1,3 | 2,0 |
| Estados Unidos | 9.853.266 | 9.870.401 | 0,2 | 0,0 | 31,8 |
| Puerto Rico | 219.643 | 336.457 | 53,2 | 0,3 | 1,1 |
| Canadá | 417.025 | 387.534 | -7,1 | -0,1 | 1,2 |
| **Unión Europeaa** | **6.008.048** | **4.971.238** | **-17,3** | **-2,9** | **16,0** |
| Alemania | 495.743 | 475.869 | -4,0 | -0,1 | 1,5 |
| Austria | 2.047 | 1.531 | -25,2 | 0,0 | 0,0 |
| Bélgica | 481.466 | 450.954 | -6,3 | -0,1 | 1,5 |
| Bulgaria | 527 | 4.785 | * | 0,0 | 0,0 |
| Chipre | 286 | 165 | -42,3 | 0,0 | 0,0 |
| Croacia | 19.223 | 13.141 | -31,6 | 0,0 | 0,0 |
| Dinamarca | 44.435 | 34.736 | -21,8 | 0,0 | 0,1 |
| Eslovaquia | 1.351 | 651 | -51,8 | 0,0 | 0,0 |
| Eslovenia | 45.697 | 23.239 | -49,1 | -0,1 | 0,1 |
| España | 1.581.002 | 1.159.381 | -26,7 | -1,2 | 3,7 |
| Estonia | 6.920 | 5.709 | -17,5 | 0,0 | 0,0 |
| Finlandia | 95.242 | 69.938 | -26,6 | -0,1 | 0,2 |
| Francia | 110.485 | 149.108 | 35,0 | 0,1 | 0,5 |
| Grecia | 16.015 | 24.381 | 52,2 | 0,0 | 0,1 |
| Hungría | 1.066 | 1.294 | 21,4 | 0,0 | 0,0 |
| Irlanda | 111.389 | 70.232 | -36,9 | -0,1 | 0,2 |
| Italia | 490.372 | 439.126 | -10,5 | -0,1 | 1,4 |
| Letonia | 94 | 769 | * | 0,0 | 0,0 |
| Lituania | 1.990 | 1.988 | -0,1 | 0,0 | 0,0 |
| Luxemburgo | 104 | 22 | -78,7 | 0,0 | 0,0 |
| Malta | 478 | 17.333 | * | 0,0 | 0,1 |
| Países Bajos | 1.489.798 | 1.206.370 | -19,0 | -0,8 | 3,9 |
| Polonia | 15.058 | 67.726 | 349,8 | 0,1 | 0,2 |
| Portugal | 305.082 | 213.562 | -30,0 | -0,3 | 0,7 |
| Reino Unido | 632.792 | 481.857 | -23,9 | -0,4 | 1,6 |
| Rumania | 13.074 | 8.429 | -35,5 | 0,0 | 0,0 |
| República Checa | 3.353 | 4.880 | 45,5 | 0,0 | 0,0 |
| Suecia | 42.960 | 44.062 | 2,6 | 0,0 | 0,1 |
| Japón | 519.899 | 427.631 | -17,7 | -0,3 | 1,4 |
| China | 2.263.725 | 1.127.140 | -50,2 | -3,2 | 3,6 |
| Costa Rica | 247.581 | 229.554 | -7,3 | -0,1 | 0,7 |
| República Dominicana | 259.277 | 283.799 | 9,5 | 0,1 | 0,9 |
| Suiza | 419.855 | 376.208 | -10,4 | -0,1 | 1,2 |
| India | 550.468 | 225.635 | -59,0 | -0,9 | 0,7 |
| Aruba | 869.209 | 339.078 | -61,0 | -1,5 | 1,1 |
| Bahamas | 676.090 | 303.044 | -55,2 | -1,0 | 1,0 |
| Turquía | 748.064 | 761.326 | 1,8 | 0,0 | 2,5 |
| Israel | 292.513 | 275.511 | -5,8 | 0,0 | 0,9 |
| Emiratos Árabes Unidos | 23.137 | 33.267 | 43,8 | 0,0 | 0,1 |
| Singapur | 367.848 | 66.128 | -82,0 | -0,8 | 0,2 |
| Guatemala | 218.192 | 303.393 | 39,0 | 0,2 | 1,0 |
| Corea | 229.363 | 402.062 | 75,3 | 0,5 | 1,3 |
| Vietnam | 9.061 | 9.525 | 5,1 | 0,0 | 0,0 |
| Rusia | 95.339 | 73.081 | -23,3 | -0,1 | 0,2 |
| Resto de países | 2.136.253 | 2.464.353 | 15,4 | 0,9 | 7,9 |

**Source:** DANE. (02 de Febrero de 2017). Obtenido de DANE: https://www.dane.gov.co/files/investigaciones/boletines/exportaciones/anexos_exp_dic16.xls

It can be inferred (from the table above) that there is a great potential for growth thanks to trade with Korea has presented a positive balance in the last year, however, it is necessary to improve the flow of goods with them to be able to be placed in a more privileged position, a goal that can be achieved once are met the schedules of the gradient and the Colombian products may come with values more competitive.

Now, at the beginning of the year 2017 (January and February) the Colombian exports to South Korean territory had continued the trend that was carried out from 2016, during this period there was a positive variation of 98.8% compared to the same period of the previous year as shown in the table 7

**Table 2. Comparative table exports Colombia 2016-2017.**

| Destino | Enero - Febrero | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Valor FOB (miles de dólares) | | | | | Toneladas métricas | | |
| | 2016p | 2017p | Variación % | Contribución a la variación | Participación (%) | 2016p | 2017p | Variación % |
| **Total** | **4.166.784** | **5.328.008** | **27,9** | **27,9** | **100,0** | **20.307.287** | **19.929.646** | **-1,9** |
| **ALADI** | **1.039.823** | **1.328.589** | **27,8** | **6,9** | **24,9** | **2.919.111** | **3.637.967** | **24,6** |
| **Comunidad Andina** | **328.324** | **335.813** | **2,3** | **0,2** | **6,3** | **321.645** | **239.437** | **-25,6** |
| Bolivia | 18.049 | 21.333 | 18,2 | 0,1 | 0,4 | 6.697 | 7.785 | 16,2 |
| Ecuador | 159.439 | 185.996 | 16,7 | 0,6 | 3,5 | 74.638 | 138.347 | 85,4 |
| Perú | 150.837 | 128.484 | -14,8 | -0,5 | 2,4 | 240.310 | 93.305 | -61,2 |
| **Resto Aladi** | **711.499** | **992.776** | **39,5** | **6,8** | **18,6** | **2.597.466** | **3.398.530** | **30,8** |
| Argentina | 19.527 | 19.326 | -1,0 | 0,0 | 0,4 | 11.329 | 10.129 | -10,6 |
| Brasil | 115.856 | 178.245 | 53,9 | 1,5 | 3,3 | 875.326 | 876.074 | 0,1 |
| Chile | 92.816 | 142.863 | 53,9 | 1,2 | 2,7 | 707.229 | 1.062.068 | 50,2 |
| Cuba | 3.705 | 4.756 | 28,4 | 0,0 | 0,1 | 1.913 | 2.398 | 25,3 |
| México | 104.382 | 142.192 | 36,2 | 0,9 | 2,7 | 112.829 | 114.664 | 1,6 |
| Panamá | 195.309 | 457.623 | 134,3 | 6,3 | 8,6 | 837.624 | 1.318.002 | 57,4 |
| Paraguay | 3.002 | 1.604 | -46,6 | 0,0 | 0,0 | 1.687 | 1.109 | -34,2 |
| Uruguay | 4.211 | 8.456 | 100,8 | 0,1 | 0,2 | 582 | 3.841 | * |
| Venezuela | 172.692 | 37.711 | -78,2 | -3,2 | 0,7 | 48.946 | 10.244 | -79,1 |
| Estados Unidos | 1.447.436 | 1.567.399 | 8,3 | 2,9 | 29,4 | 5.073.784 | 3.039.239 | -40,1 |
| Puerto Rico | 39.137 | 84.932 | 117,0 | 1,1 | 1,6 | 313.992 | 332.358 | 5,8 |
| Canadá | 41.380 | 54.510 | 31,7 | 0,3 | 1,0 | 74.973 | 266.578 | 255,6 |
| **Unión Europeaa** | **715.543** | **788.576** | **10,2** | **1,8** | **14,8** | **7.157.085** | **6.027.713** | **-15,8** |
| Alemania | 72.681 | 61.416 | -15,5 | -0,3 | 1,2 | 116.841 | 31.286 | -73,2 |
| Austria | 142 | 108 | -23,8 | 0,0 | 0,0 | 15 | 17 | 10,1 |
| Bélgica | 71.179 | 66.479 | -6,6 | -0,1 | 1,2 | 102.804 | 93.146 | -9,4 |
| Bulgaria | 81 | 16 | -80,1 | 0,0 | 0,0 | 77 | 76 | -0,4 |
| Chipre | 0 | 0 | -76,8 | 0,0 | 0,0 | 0 | 0 | -97,9 |
| Croacia | 12 | 53 | 348,7 | 0,0 | 0,0 | 3 | 75 | * |
| Dinamarca | 7.408 | 7.024 | -5,2 | 0,0 | 0,1 | 160.648 | 101.562 | -36,8 |
| Eslovaquia | 122 | 195 | 60,3 | 0,0 | 0,0 | 21 | 41 | 95,1 |
| Eslovenia | 7.274 | 3.637 | -50,0 | -0,1 | 0,1 | 163.708 | 9.295 | -94,3 |
| España | 161.694 | 179.956 | 11,3 | 0,4 | 3,4 | 1.482.166 | 1.649.573 | 11,3 |
| Estonia | 816 | 638 | -21,8 | 0,0 | 0,0 | 164 | 63 | -61,5 |
| Finlandia | 9.892 | 8.500 | -14,1 | 0,0 | 0,2 | 15.812 | 8.471 | -46,4 |
| Francia | 17.058 | 23.133 | 35,6 | 0,1 | 0,4 | 172.020 | 166.576 | -3,2 |
| Grecia | 1.566 | 3.836 | 145,0 | 0,1 | 0,1 | 2.153 | 7.565 | 251,4 |
| Hungría | 355 | 117 | -67,0 | 0,0 | 0,0 | 19 | 32 | 71,4 |
| Irlanda | 13.608 | 36.949 | 171,5 | 0,6 | 0,7 | 324.353 | 497.815 | 53,5 |
| Italia | 54.681 | 102.815 | 88,0 | 1,2 | 1,9 | 337.046 | 695.117 | 106,2 |
| Letonia | 21 | 386 | * | 0,0 | 0,0 | 113 | 69 | -39,2 |
| Lituania | 292 | 330 | 12,9 | 0,0 | 0,0 | 224 | 155 | -31,0 |
| Luxemburgo | 2 | 0 | -100,0 | 0,0 | 0,0 | 0 | 0 | -100,0 |
| Malta | 39 | 56 | 43,9 | 0,0 | 0,0 | 93 | 142 | 52,2 |
| Países Bajos | 171.728 | 161.464 | -6,0 | -0,2 | 3,0 | 2.746.133 | 1.588.336 | -42,2 |
| Polonia | 15.107 | 11.270 | -25,4 | -0,1 | 0,2 | 329.604 | 162.338 | -50,7 |
| Portugal | 29.170 | 67.092 | 130,0 | 0,9 | 1,3 | 649.991 | 881.269 | 35,6 |
| Reino Unido | 72.653 | 43.756 | -39,8 | -0,7 | 0,8 | 549.860 | 130.915 | -76,2 |
| Rumania | 1.328 | 1.921 | 44,7 | 0,0 | 0,0 | 622 | 690 | 10,8 |
| República Checa | 710 | 821 | 15,7 | 0,0 | 0,0 | 199 | 137 | -31,5 |
| Suecia | 5.925 | 6.610 | 11,6 | 0,0 | 0,1 | 2.395 | 2.952 | 23,2 |
| Japón | 38.102 | 92.346 | 142,4 | 1,3 | 1,7 | 9.910 | 286.050 | * |
| China | 171.736 | 186.235 | 8,4 | 0,3 | 3,5 | 868.919 | 544.400 | -37,3 |
| Costa Rica | 35.556 | 33.282 | -6,4 | -0,1 | 0,6 | 15.429 | 15.540 | 0,7 |
| República Dominicana | 40.888 | 38.403 | -6,1 | -0,1 | 0,7 | 64.858 | 118.294 | 82,4 |
| Suiza | 62.022 | 55.954 | -9,8 | -0,1 | 1,1 | 1.536 | 5.190 | 238,0 |
| India | 14.971 | 28.128 | 87,9 | 0,3 | 0,5 | 8.638 | 100.145 | * |
| Aruba | 15.293 | 4.179 | -72,7 | -0,3 | 0,1 | 123.840 | 12.777 | -89,7 |
| Bahamas | 35.060 | 116.401 | 232,0 | 2,0 | 2,2 | 220.797 | 360.127 | 63,1 |
| Turquía | 101.639 | 201.758 | 98,5 | 2,4 | 3,8 | 2.245.796 | 2.829.687 | 26,0 |
| Israel | 18.809 | 44.319 | 135,6 | 0,6 | 0,8 | 344.230 | 502.991 | 46,1 |
| Emiratos Árabes Unidos | 5.604 | 1.914 | -65,8 | -0,1 | 0,0 | 987 | 661 | -33,1 |
| Singapur | 8.492 | 1.780 | -79,0 | -0,2 | 0,0 | 3.545 | 9.588 | 170,5 |
| Guatemala | 24.984 | 41.062 | 64,4 | 0,4 | 0,8 | 85.268 | 257.354 | 201,8 |
| Corea, República de | 23.500 | 46.735 | 98,9 | 0,6 | 0,9 | 7.974 | 312.717 | * |
| Vietnam | 1.069 | 3.034 | 183,9 | 0,0 | 0,1 | 581 | 1.332 | 129,5 |
| Rusia | 12.775 | 10.992 | -14,0 | 0,0 | 0,2 | 3.736 | 10.880 | 191,2 |
| Resto de países | 272.966 | 597.481 | 118,9 | 7,8 | 11,2 | 762.297 | 1.258.060 | 65,0 |

**Source:** DANE. (03 de Abril de 2017). *DANE.* Obtenido de https://www.dane.gov.co/files/investigaciones/boletines/exportaciones/anexos_exp_feb17.xls

In general terms the trade with Korea has presented progress in the first months of the year 2017, however (and in part to the short time to enter into force) The FTA still does not show these advances that have been waiting or strengthen the Colombian products in the Asian market which shows that there is still a long way to work and more time to see positive results.

However, giving a more particular to the exports of the agricultural sector it is possible to show that the country has had a decrease in agricultural exports in the period between February 2016 and the same month of the year 2017 as shown in Table 8.

**Table 3. Percentage share of the exports of the agricultural sector 2016-2017.**

| Sección | Capítulo / Subgrupo | Descripción | 2016 (Millones de dólares FOB) | 2017 (Millones de dólares FOB) | Variación % | Contribución a la variación del grupo | Participación 2017 |
|---|---|---|---|---|---|---|---|
| | | **Total** | **634,2** | **566,8** | **-10,6** | | **100,0** |
| **0** | | **Productos alimenticios y animales vivos** | **444,8** | **392,6** | **-11,7** | **-8,2** | **69,3** |
| | 00 | Animales vivos no incluídos en el capítulo 03 | 2,6 | 2,8 | 9,4 | 0,0 | 0,5 |
| | 01 a 09 | Productos alimenticios | 442,2 | 389,8 | -11,9 | -8,3 | 68,8 |
| | 0622 | Artículos de confitería preparados con azúcar (incluso chocolate blanco) que no contengan cacao | 57,3 | 15,3 | -73,3 | -6,6 | 2,7 |
| | 0739 | Preparados alimenticios que contengan cacao n.e.p. | 19,9 | 2,3 | -88,6 | -2,8 | 0,4 |
| | 0573 | Bananas (incluso plátanos) frescas o secas | 84,1 | 75,7 | -10,0 | -1,3 | 13,4 |
| | 0484 | Pan pasteles tortas bizcochos y otros productos de panadería contengan o no cacao en cualquier proporción;hostiassellos para medicamentos obleas pastas desecadas de harina o de fécula en hojas y productos análogos | 13,3 | 5,5 | -58,4 | -1,2 | 1,0 |
| | 0612 | Otros azúcares de caña o de remolacha y sacarosa pura en estado sólido | 12,3 | 7,2 | -41,5 | -0,8 | 1,3 |
| | 0111 | Carne de ganado bovino fresca o refrigerada | 1,4 | 2,8 | 97,4 | 0,2 | 0,5 |
| | 0713 | Extractos esencias y concentrados de café y preparados a base de dichos productos o a base de café; sucedáneosdelcafé y sus extractos esencias y concentrados | 14,4 | 17,1 | 18,9 | 0,4 | 3,0 |
| | 0711 | Café sin tostar descafeinado o no; cáscara y cascarilla del café | 180,2 | 210,6 | 16,8 | 4,8 | 37,2 |
| | | Demás productos alimenticios | 59,2 | 53,3 | -10,0 | -0,9 | 9,4 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **1** | | **Bebidas y tabacos** | **4,2** | **3,3** | **-20,6** | **-0,1** | **0,6** |
| | 12 | Tabaco y sus productos | 3,1 | 2,5 | -19,5 | -0,1 | 0,4 |
| | 11 | Bebidas | 1,1 | 0,8 | -23,6 | 0,0 | 0,1 |
| **2** | | **Materiales crudos no comestibles, excepto los combustibles** | **162,7** | **143,8** | **-11,6** | **-3,0** | **25,4** |
| | 2927 | Flores y follaje cortados | 148,5 | 130,1 | -12,4 | -2,9 | 23,0 |
| | | Demás | 14,2 | 13,6 | -3,9 | -0,1 | 2,4 |
| **4** | | **Aceites, grasas y ceras de origen animal y vegetal** | **22,5** | **27,0** | **20,3** | **0,7** | **4,8** |
| | 4224 | Aceite de almendra de palma o babasu y sus fracciones | 3,7 | 8,6 | 131,1 | 0,8 | 1,5 |
| | 4312 | Grasas o aceites de origen animal o vegetal y sus fracciones parcial o totalmente hidrogenados interesterificadosreesterificado o elaidinizados refinados o no pero sin otra preparación | 0,2 | 0,6 | 215,2 | 0,1 | 0,1 |
| | 4222 | Aceite de palma y sus fracciones | 17,8 | 16,8 | -5,6 | -0,2 | 3,0 |
| | | Demás | 0,7 | 1,0 | 37,4 | 0,0 | 0,2 |

Fuente: DIAN - DANE (EXPO)

p Cifra preliminar

**Source:** DANE, B. (03 de Abril de 2017). *DANE.* Obtenido de https://www.dane.gov.co/files/investigaciones/boletines/exportaciones/bol_exp_feb17.pdf

Previous picture we can analyze that the exports of agricultural products have had a decrease of 10.6% compared to the same period of the previous month, in monetary terms, we say that happened to sell US634, 2 million in the year 2016 to sell US566, 8 million in 2017 (month of February).

However within the main countries with which products were marketed is not South Korea reveals that to date (February 2017) trade of agricultural products not has been able to overcome, in sales, to countries such as Venezuela, United Kingdom, and Germany who are within the three main importers of consumer goods of origin Colombian. 9 South Korea shown in the table is framed within the Group of "other countries" below Nations such as Japan with which even has could not sign is a free trade agreement.

**Table 4. Level of participation of imports in the world**

| Países | 2016 Millones de dólares FOB | 2017 Millones de dólares FOB | Variación (%) | Contribución a la variación | Participación 2017 (%) |
|---|---|---|---|---|---|
| **Total** | **634,2** | **566,8** | **-10,6** | **-10,6** | **100,0** |
| Venezuela | 72,7 | 6,6 | -91,0 | -10,4 | 1,2 |
| Reino Unido | 30,2 | 19,2 | -36,5 | -1,7 | 3,4 |
| Alemania | 30,5 | 21,4 | -29,7 | -1,4 | 3,8 |
| España | 16,9 | 9,1 | -46,3 | -1,2 | 1,6 |
| Italia | 24,0 | 17,1 | -28,8 | -1,1 | 3,0 |
| Bélgica | 39,3 | 33,9 | -13,7 | -0,8 | 6,0 |
| Guatemala | 0,9 | 5,4 | 530,1 | 0,7 | 1,0 |
| México | 4,1 | 9,3 | 128,1 | 0,8 | 1,6 |
| Japón | 13,4 | 38,9 | 190,8 | 4,0 | 6,9 |
| *Demás países* | *402,2* | *405,8* | *0,9* | *0,6* | *71,6* |

Fuente: DIAN - DANE (EXPO)
Nota: En "Demás países" se incluyen los no precisados.

**Source:** DANE, B. (03 de Abril de 2017). *DANE.* Obtenido de https://www.dane.gov.co/files/investigaciones/boletines/exportaciones/bol_exp_feb17.pdf

Given this information, we can conclude that the impact has been presented in FTA with Korea has not been as significant as expected but this is due to several factors that affect your unemployment, on the one hand we have the time it takes to effect the treaty and on the other we have still not been met the deadlines of tariffs agreed at the negotiating table and this factor makes that are not yet competitive enough in the market to our exports are included in a special way within the statistics.

## 3. Findings.

- Before the signing of the FTA with South Korea, the two countries already had very good trade relations, this can be evidenced in the year 2011 when exports of coffee and its derivatives reached a USD 97 million, being the first export item in that year, thus giving a greater attraction of Colombia to the Asian country.
- In the research you can show that Colombia has the major advantages to countries such as Peru, Chile, India among others as Korea decides to offer a greater agricultural package
- The FTA with South Korea promises the inclusion of about 96% of the products that both nations may generate, in addition to having a tariff plan with a maximum period of up to 16 years.
- In the investigations is that at present Colombia supplies about 10% of the market with products such as coffee, however, with the immediate reduction to zero percent tariff on green coffee and the gradual reduction of the levy to the roasted coffee it is estimated that Colombia could empower the 30% of the market.
- Being the coffee one of the products of Colombia is evidence that in the year 2012 reached a figure of approximately 1,600,000 sacks and is projected an annual growth of about 2.8% what evidence the great possibility of export that has Colombia.
- In the agro products such as flowers and the meat sector show shortcomings and low export statistics, with very low rates toward the Asian country because of US1.239 million that were exported in 2011 of the flowers only US1.2 million correspond to the

South Korean market; by the side of the meat sector Korea matter (on average 43% ) a product from the United States and a 36 per cent of New Zealand and Colombia the figure is very low and with a tendency to decline as currently, this sector does not have the sufficient technology and health standards that require the country and does not have the enough features to compete with markets as Strong.

- In the year 2017 (January and February) the Colombian exports to South Korean territory presented continuity with the trend that was carried out from 2016, during this period there was a positive variation of 98.8%.

• Is evidence that South Korea to date (February 2017) in the trade of agricultural products has been unable to overcome, in sales, to countries such as Venezuela, The United Kingdom and Germany who are within the three main importers of goods of consumption of Colombian origin.

# 4. Conclusions and recommendations

## 4.1 Conclusions

The FTA Colombia - South Korea represents many opportunities especially for the agricultural sector, however in this work, we can conclude that the benefit is not for all products as there are some that do not have the specifications and requirements needed to be exported to the Asian country, in addition there are many shortcomings in our country such as the lack of technology, the lack of government support and logistics with the account, greatly damaging products such as meat and the grower, all of these factors are at a great disadvantage compared with the other countries that have commercial relations with South Korea.

The FTA with Korea is a very recent agreement, of which it is difficult to give opinions of the impact that has been generated in our country, however it is clear that Colombia has to improve in areas such as technology, production and logistics to be more competitive and thus achieve the expected results and which was signed that treaty.

In this work, we can demonstrate that our star product coffee without doubt has had very good results in exports to Korea, both historically and after the signing of the treaty, these results are encouraging and challenging for the coffee, in addition with the passing of time is expected to increase further, taking into account the fact that Korea is a country that has time for their beliefs and ideologies is expanding so that all ages have a higher consumption of coffee and its derivatives.

In the course of history there is evidence of the importance that has had trade relations with Korea, showing a significant increase in exports and this is one of the reasons why Colombia decided to make an FTA with that country, in addition was intended to enter in some way to the Asian continent in order to import machinery and technology that can intervene positively in both agricultural production in all sectors of our country.

## 4.2 Recommendations

- Receive training on the part of the different governmental agencies and entities where awareness and teach the producer to take full advantage of your product, taking the opportunity to not only sell it in its natural form but to change it.
- Propose legislation where the Colombian state to subsidize those who innovate with non-traditional products and services that may be of most interest to South Korea.
- Alliances between several companies in the sector as the unit of force where agreed with the government tariff benefits for those who venture your product to other countries.
- Facilitate the transport of the different products of the sector through road construction and railway lines linking to the main ports of Colombia.
- Establish partnerships with agricultural enterprises at the local and national levels to that through economies of scale can enter into markets not hoarded and be competitive.
- • Ease of credit and payment arrangements that will serve as an incentive for the acquisition of machinery and technology, which, in turn, help all the processes of companies in the sector more efficient and may lead to such businesses more competitive.

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