



**IMPACT OF THE FREE TRADE AGREEMENT
BETWEEN COLOMBIA AND SOUTH KOREA IN
THE PORK INDUSTRY**

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University Institution Esumer

School of International Studies

Medellín, Colombia

2015

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Investigation study presented to obtain the title of:
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Investigation line:

Trade Agreements in Colombia

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Dedication

This article is dedicated to my little daughter Abigail and my wife Yennifer to who with his love, dedication and understanding have become possible to obtain this desired title as Professional. I also want to dedicate this article to my parents who always insisted me to continue my professional studies and thanks to all their support today I can ascent one more step in this long journey through life.

Acknowledgment

Thanks to the University Institution ESUMER for giving me all professional and ethical training that I have today. I'm really pleased to have chosen an institution with an excellent quality of teaching and a very good reputation in the business field.

I am enormously grateful to the company which I work today GLT. Thanks for understand and provide the way for me to finish this new step in my life.

Abstract

The free trade agreement between Colombia and South Korea stands an agreement that Colombia was looking in order to make stronger the bilateral economic, commercial and political relationships with Asian countries. This research targets to study the impact caused to the Colombian Pork industry, as per this economical sector will be one of the most favored, according to the Colombian government once the Free Trade Agreements takes effect. The pork industry turn out to be one of the economic sectors with the highest prospects to deal in the Korean market as Korea clearly imports of lot of food mainly pork meat, that is why the progress of this investigation try to verify what would be the possible advantages and disadvantages of the agriculture sector after the Trade Agreement takes effect.

This investigation begins with a brief history of the Colombia pork sector; determine the consumption and production of pork meat between the two countries, and the bilateral relationship that has ascended between them since several years ago. Proexport, Mincomex, Analdex, Dane, Asoporcicultores and some other universities documents were fundamental to bring into line and developed the investigation in a detailed and organized method. In conclusion this investigation reflects that Colombia would pay anexcessive cost to venture into a challenging market without the technology, the development and luck of competitiveness of the Colombian pork industry will be very hard to supply the Korean demand.

Key words: Economic sectors, trade agreement, duty relief, pork industry, tariff.

Economic sectors: Primary sector or agricultural sector that gets the proceeds of their activities directly from nature, without any transformation process. Secondary sector or industrial sector includes all economic activities of a country related to the industrial processing of food and other goods or merchandise. Tertiary or services sector includes all activities that do not produce a good in itself, but are necessary for the functioning of the economy.

Trade Agreement: A free trade agreement is a form of economic integration. An agreement signed by 2 or more nations to eliminate all tariff and non-tariff barriers between members of the treaty.

Duty Relief: Tariff gradual reduction of tax applied to goods entering the country, previously agreed in negotiations between countries customs rate.

Pork Industry: The brand of animal growing that comes to breeding, reproduction and exploitation of pigs, from genetic care, nutrition, management, and health to produce pork of the highest quality for human consumption.

Tariff: law, customs fee or tax on the import of goods that go into the National Customs Territory, being native and from abroad.

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Symbols and Abbreviations list

Symbols list

Us: American Dollars

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GDP: Gross Domestic Product.

FTA: Free Trade Agreement

RMR: Representative Market Rate

PED: Porcine Epidemic Diarrhea

Introduction

The objective of this research is to present current Colombian Pork meat sector, and mention some possible challenges which will face when starting the free trade agreement between Colombia and South Korea. Analyze and determine what the possible advantages and disadvantages for the sector in the Colombian economy.

The strategy to approach the Asian market by the national government is focused on the entry into force of the FTA with South Korea to promote business development, attract a greater flow of foreign investment, and likewise promote employment and technological development region of Colombia. Also increase food products exports from Colombia to Korea, especially those negotiated in the treaty where the pork as a great opportunity to penetrate the Korean market.

Colombia faces one of its greatest challenges in economic development in recent years; therefore, decisions on trade policy to implement the government today, the economy will depend in the future.

As illustrated by this research, supported on criteria acquired knowledge is identified, the positive and negative effects that arise with the signing of free trade agreement with South Korea.

1. Project Formulation

1.1 Background

The authors write, based on sources and documents found in Proexport, Sice, Mincomex among others, the automotive sector in the last ten years has shown growth in both countries occupying Korea 5th place globally and Colombia with a sales record 2011 occupied the 5th place car producer in Latin America. Despite this growth the Colombian automotive industry finds it difficult to compete with South Korean brands, which take effect without said agreement, are already recognized brands in the domestic market as Kia and Hyundai. (Castro & David, 2013).

The authors present the current state of Colombian automotive industry, in order to determine whether it can compete with a strong automotive industry and developed as is South Korea. Also they have the interest of the Korean investors in this sector due to its industrial deficit and the lack of cooperation from the government, because it would also show a great opportunity to renew the industry and penetrate new markets in Asian countries. (Montero & Correa, 2013)

Opportunities for exports of Colombian coffee as a result of the FTA with South Korea, SAS case Colcafe In order to analyze this author may have the opportunity of Colombian coffee exports to South Korea, the company specific case COLCAFE SAS,

during the bilateral trade agreement such as NAFTA, signed with South Korea. (Perez, 2014)

1.1.1 State of the Art

Colombia and Korea agree to negotiate an FTA. This publication of the Minister of Commerce Industry and Tourism Luis Guillermo Plata said that the aim is to find alternative export markets and new investment opportunities, for it seeks to formalize bilateral relations that have taken Colombia and Korea several years ago, through a free trade agreement that narrow commercial ties focused on mutual investment goods and services. (Ministry of Commerce, Industry and Tourism, 2009)

"ABC of the trade agreement with South Korea." This publication mentions the reasons for Colombia to sign an FTA with Korea, the expectations and the importance of it. Within this context the importance of signing this treaty, for future signatures with other Asian countries like Singapore and Japan stands out and also explains how the negotiations with Korea to serve the APEC approach, which gives us an opportunity to attract new investment and mark out the Colombian economy. Also mentioned in that we benefit Colombians with this agreement and what is the status of negotiations. They also give an example of the impact that generated similar trade agreements in economies like Chile and support its theory of what would happen to agriculture, automotive and industrial sector and services. (Ministry of Commerce, Industry and Tourism, 2011)

FTA with South Korea: a lot to learn but little to sell. Try to explain why an FTA with South Korea would end with the Colombian automotive industry. The basis of the argument is that Korean companies like Hyundai, besides, thanks to the high

incentive Korean government regarding the auto industry, national protectionism and investment in science and technology, has resulted in the Korean automotive industry is the sixth the fifth largest in production, with 4 million cars a year, 22 times more than Colombia assemblers worldwide in terms of exports and. (Valencia, 2011)

FTA Promote prosperity of Colombia and Korea. This publication refers to the meeting of the two ministers of foreign trade of the countries of Colombia and South Korea, due to the official visit of President of Korea to Colombia. Ministers stress the scope of each of the 22 chapters negotiated, including access to markets (agriculture and industry), services, investment, sanitary and phytosanitary measures, telecommunications, intellectual property, government procurement and cooperation are counted. Also disclosed is the next step in negotiations between the two countries, which is the preparation of legal texts to be presented to the Colombian Congress and the National Assembly of that country in Asia. Increasing bilateral trade between the two countries, which went from USD 358 million in 2002 to USD \$ 1,510 in 2011 it is also shown. (Ministry of Commerce, Industry and Tourism, 2012)

Why say no to the FTA between Colombia and Korea. The destruction of the industry leads to unemployment. " Try explaining that the FTA between Colombia and South Korea also explains, it is clear that the Colombian industry cannot compete against Korean, due to lack of technology, science and infrastructure to handle Koreans in their processes, giving the Government of Colombia a unique resource, where only the agricultural sector will benefit, but will be severely affected in other economic sectors, causing an imbalance in the economies of the two nations. (Polo, 2013)

FTAs with Korea, historic event for deepening relationship with Asia. This publication closes the press releases issued by the Colombian government during the negotiation rounds that took NAFTA and finally shows that the June 21, 2013 is achieved sign the FTA between Colombia and South Korea after about five years of negotiations between the parties it is achieved also highlight the importance of this step in order to expedite the implementation of this treaty, which is in the pending approval of the Colombian Congress and the Korean National Assembly. In addition, the benefits of this agreement in the Colombian agricultural sector, where exporters of beef, chicken and pork succeed in clearing fees in installments between 10 and 16 years as is the case of pork is ratified, while for poultry eliminating taxes it is provided between 10.12 and 16. It is also mentioned that in order to access all the benefits it will bring the entry into force of the FTA on the agricultural sector must meet certain requirements issued by the Korean health authorities, which are characterized by highly demanding. It also highlights the growth in the Colombian pork meat sector, where the executive president of the Colombian Association of Pork, mentioned that the FTA brings great benefits and is a great opportunity to expand the exportable supply of meat purse, because Koreans consume 31 kg approximately the same, while the Colombians consume 6 kg per capita. This difference is what makes the FTA is of mutual benefit between the two countries. (Commerce, Industry and Tourism, 2013)

Korea FTA and livestock. Items which were disclosed last November 12, 2013 was approved by the Colombian Congress the Free Trade Agreement with South Korea, regardless of the arguments of the spokesmen of the Democratic Pole which expose the serious consequences leading to the entry into force of a FTA between the parties.

Through this article can prove that although the FTA is signed between the two countries trying to promote Colombian agricultural sector may not have real benefits, as the figures are striking and show the incompatibility of the treaty, since the Colombian agricultural sector does not have the slightest chance of snatching the Korean market that currently caters countries like USA, New Zealand, Australia, Netherlands, France, Germany, Canada, Italy and Uruguay, these 9 countries in order importance today supply the Korean market in milk and milk products and Colombia who would have to move if we are to form part of the countries that supply South Korea with this type of food, the basis of the document is to demonstrate that Colombia is not technologically date to enter and compete against regular suppliers of China. Further it suggests that the beef would be a different case because Colombia would have to defeat powerful opponents 10. In the current year this article shows that Brazil has exported 1.8 million tons of meat, 1.6 India, Australia 1.5 million, 1.3 million US, New Zealand 580 000, 300 000 Uruguay, Canada 310, Paraguay 300, 205 European Union, Mexico and Argentina 200 180 000. Colombia 17,000 tons demonstrating the lack of Colombia's competitiveness against its opponents. (Polo, 2013)

While agriculture held FTA with Korea, concern persists parts. It speaks of the great opportunity that farmers have, for approval which was the signing of the free trade agreement between Colombia and South Korea at the conference, as had 2 legislative periods in which the process was slowed; now goes to presidential approval to become effective. In the auto sector did not generate so much pleasure as farmers, because the agreement will increase the number of imports and this will affect the local industry, that still has not recovered its growth pace of the economy. The Colombian government

said it would provide them with assistance to offset the effect it will have the treaty in the industry, but it is to give them tools to be more competitive. Although winners farmers feel the Ministry of Commerce declared that Colombia has yet to perform work on road infrastructure, transport and logistics to meet the agro dream. (Mejia, 2014)

Korea FTA threatens domestic industry. The basis of the paper is to show that despite the negative impact on the Colombian industry, the FTA with Korea was approved by President Juan Manuel Santos and the Congress, even without groping gains in agriculture and acknowledging by the same government involvement Colombian industrial apparatus. The article argues that Colombia does not offer its members processed goods that produce wealth; 80% of exports are hydrocarbons and minerals it is because they are in the land, besides Colombia does not manufacture machinery for the extraction or transforms raw materials, which stops capturing the most important added value of this industry. It also states that what Colombia lost in the auto industry, auto parts and appliances, will be offset by selling agricultural products, because Korea is a net importer of food, but 93% of their needs met by the traditional suppliers as United States, New Zealand, the EU, Australia and China Union. Also it is noted that Korea is the seventh largest exporter in the world, sells 573,100 million dollars a year, 10 times more than Colombia, and 86% than it exports are industrial goods. (Valencia et al., 2014)

1.1 Problem

The trade agreement with South Korea and Colombia is above from November 2008 to gain access to different markets of Colombian products and services and in turn strengthen trade ties with Asian countries and attract investment effort thereof. The free trade agreement between Colombia and South Korea was registered in February 2013 but to date has not entered into force. (Commerce, Industry and Tourism, 2013)

With the entry into force of the agreement is expected that the sector benefited most is agriculture, although there is uncertainty on the part of the farmer guild since the lack of internal infrastructure and lack of support from the government, through investments and / or subsidies does not allow this sector method to be competitive with the terms negotiated in the treaty regarding production volume, tariffs and prices.

Being the most benefited in the treaty agricultural sector and to focus on the area of the pig, we find that the Korean per capita consumption of pork is on average 31 kg per year, while the Colombian consumption is 6, 7 kg, where the national production reached only supply the consumption thereof; if we rely on this data, what would be the opportunity and the economic impact that gives us the FTA between Colombia and South Korea to fully deduct in a period of 10-16 years, the pork ?; knowing that Colombia does not have the necessary capacity to think large-scale exports, as traditional suppliers are there in Korea that product. (Commerce, Industry and Tourism, 2013)

The importance of this Agreement for Colombia is that you can not miss an opportunity of this magnitude independent sector impact, because achieving a

preferential and permanent relationship with South Korea is key in the Colombian economy and is the gateway to Asia Pacific market.

1.1.1 Questions to problematize the object of study

- What are the problems facing the sector pork meat sector not allowed to have an exportable supply?
- What are the current conditions of pork meat sector sector in both countries?
- What are the expectations of the FTA with the pork meat sector?

1.1 Justification

Research of the Free Trade Agreement between Colombia and South Korea, will allow the generation of questions that in some ways what the true glimpse both positive and negative impact on the Colombian pork meat sector. Similarly identify whether the government has prepared for this sector where a contingency plan is developed and encourage productive capacity and thus fulfill the need Korean demand.

1.3.1 Theoretical Justification

This research was done in order to define the impact on the hog farmer sector with the entry into force of the free trade agreement between Colombia and South Korea, establishing the current state of the industry, the behavior and the possible improvements it expects to achieve the same to be competitive internationally; and also with the idea of bringing the academic community another perspective of the FTA.

1.3.2 Social Justification

Through this research, you can generate a clear knowledge regarding the impact of the FTA between Colombia and South Korea, with emphasis on the agricultural chapter negotiated about. It looks the same as the content of this research is easy to understand for anyone who wants to know about it, allowing the same time generate a conceptualization of the research object itself.

1.3.3 Personal Justification

This research was chosen as the subject of graduate work because it is a subject that has an affinity for international business, it is also a topic of personal interest, with many questions unanswered and generate new knowledge to all stakeholders and fully complying with the academic objectives proposed by the institution.

1.4 Objectives

1.4.1 General Objective

To determine the advantages and disadvantages for the Colombian Pork industry sector in free trade agreement between Colombia and South Korea.

1.4.2 Specific Objectives

- Document the information related with the Colombian Pork industry sector from 1953 to 2013

- Identify the actual Pork industry sector economic relation between Korea and Colombia.
- Tell the pros and cons of the free trade Pork industry sector with South Korea.

1.5 Methodological framework

1.5.1 Method

In this Investigation work has been necessary to have a historical and theoretical recompilation, and then it will be analyzed with the purpose to define if the present problem is solved. For this reason, it was collected many information about the actual status of the Colombian Pork industry sector and the Free Trade Agreement progress between Colombia and South Korea, but also know the economic condition of the involved countries and then it establish the primary sector impact and specifically the advantages and disadvantages in this sector. When these advantages and disadvantages have been determined, is possible to do a analyzes and conclusions, using secondary sources as Web Pages, Journal articles, news ,books and Investigation works, which have similar subjects.

1.5.2 Methodology

Exploratory method was used in that vein, due to the lack of research concerning the proposed theme, which is the Pork industry sector. From general data to reach conclusions; also the Investigation has been doing in a theoretical way, because

the TLC (Free Trade Agreement) between Colombia and South Korea is an active subject.

The end of this methodology is with the Conclusions and recommendations showing, and both help to answer the specific objectives.

1.6 Scope

This work is performed to identify the advantages and disadvantages that can have the entry into force (implement o carry out) the Free Trade Agreement (TLC) between Colombia and South Korea in the Colombian economy and more specifically in the Pork industry sector. This study is based on data collected from 2009 onwards when was begun negotiating rounds, rescuing that although was signed on February 21, 2013, has not yet entered into force.

2. Project Execution

2.1 Breif Histrory of Pork meat sector in Colombia

Although the history of the Pork industry sector is given (o present) in Colombia for many years, but only in 1950 when it starts to establish in Colombia farms with business judgment, in order to supply local demand through improvements in processes. In the 70s and early 80s, the Pork industry sector industry begins to develop more efficient processes and machinery for the production of pork and begin to establish larger farms, in which achieved handle imported livestock breeds and in turn gives a great development in the swine industry in the departments of Antioquia, Valle del Cauca and Eje Cafetero.

As a way of this development, in the 80s begins The Colombian Association of Pork industry, this association has been representing the Colombian pork producers since 32 years ago and this has been the main agency in this important progress, with the booster and accompanying role in the process of formalization and modernization of Colombian pig.

The Colombian Association of Pork meat sector mainly has the following functions:

- Gather all swine producers in the country.

- Negotiate with public and private institutions measures to ensure the proper development of the pork industry, and represent the interests of producers to industry organizations.
 - Development the appropriate and efficient marketing systems.
 - Impulse advertising campaigns, that can help to increase pork meat consume.
 - Defend the interests of the Association and his members to the Government or to the various guilds, and generally anything that might serve as a stimulus to domestic pork industry.
 - Forward the activities of the defense and promotion of the Pork industry
- (Asoporcicultores, 2014)

2.2 Production and Consume of Pork Meat in Colombia.

The Pork is the most consume meat in the world and Colombia is not far behind, for this reason the pork sector plays a dominant role in the Colombian economic history. During the last years, the production of this sector has grown at a rate of 6%, Antioquia is the Colombian department with the best pork meat production, followed by El Eje Cafetero and Valle del Cauca, the last one is having a high growth and during the last years it is being defined as the major national producer. (Vélez, 2012)

In the recent years, it has been presenting a continued growth in the Colombian pork production. It passed 2.197.910 heads in 2009 to 2.976.255 in 2012. This means

an increase in 778.345 heads, representing an increase of 87.243 tons in meat production in foot. (DANE , 2013)

The pig benefit recorded in the month of June of the year 2012 (237.567 head), presented a decrease of 5.5% over the same month of 2012 (251.443 heads).

Although the formal benefit of pigs accumulated to June presents an increase of 3% compared to the first half of 2011, going from 1.391.295 to 1.433.527 heads (Table 1), it responds to increase in the months of January and April, when they exceeded the levels that got in the same months of the previous year by more than 10%. A situation that contrasts with the month of May. (ASOCIACIÓN COLOMBIANA DE PORCICULTORES, 2014)

Table 1. Domestic production of pork by departments in the first half of the years 2012 and 2013.

National department and pig profit (heads): January to June

<i>Department</i>	<i>2012</i>	<i>2013</i>	<i>Part (%)</i>	<i>Grow Rate</i>
Antioquia	688.254	679.029	47,4%	1.6%
Bogota, D.C	300.83	322.652	22,5 %	7.3%
Valle del Cauca	195.086	215.335	15,0 %	10.4%
Risaralda	41.988	38.342	2,7 %	-8.8%
Atlantico	30.565	36.039	2,5%	17.9%
Caldas	33.778	27.796	1,9%	-17.7%
Nariño	19.657	18.312	1,3%	-6.8%
Santander	16.872	17.494	1,2%	3.7%
Quindio	14.161	15.182	1,1%	7.2%
Meta	14.224	12539	0,9%	-11.8%
Huila	13.977	11.832	0,8%	-15.3%
Choco	8.486	8.918	0,6%	5.1%
Boyaca	6.781	7.148	0,5%	5.4%
Otros	26.638	22.909	1,6%	-14.0%
Total Nacional	1.391,295	1.433,527	100.0%	3.0%

Source: Sistema Nacional de Recaudo, Asoporcicultores –Fondo Nacional de Porcicultores (ASOCIACIÓN COLOMBIANA DE PORCICULTORES, 2014)

According to Proexport between January and February of 2012, the domestic market has been characterized by its downward trend in the prices of pigs standing as in channel, and it showed a decrease in the slaughter of animals in the departments of Risaralda, Caldas, Santander, Meta, Huila, among others. However the national total sacrifice grew 6.7%. (PRO EXPORT COLOMBIA, 2012)

For its part the DANE ensures that imports of products and by-products of pigs in the first four months of the year 2013 increased with respect to the same period of the previous year in 44.3%, equivalent to 15.522 tons, of which a 67.9% corresponded to frozen pork meat (11.904 tons). Also projected that for May and June of the same year they entered 4,280 and 3,750 tons, respectively. It can be inferred that the high international prices of pork and its courts that were recorded in June, given the seasonal consumption of summer that occurs in the United States, to some extent impacted so slightly decrease imports of pork in June. Added to this is the increase that had the exchange rate (MDR-TB) in the month of June, reaching an average of \$1.909,8 per dollar, and placing in the last days of the month above the \$1,935. In fact, and in accordance with the index of internment, built by the Area economic of the Association Colombian of pork, which was located in June over the unit (1.10), evidence that the cost of importing pork to the country in that year increased.

Add to that the increase that had Exchange Rate (RMR) in June, reaching an average value of \$ 1,909.8 per dollar sum, and settle at the end of the month above \$ 1935. In fact, according to the index hospitalization, built by the Economic Area of the Colombian Association of Pork, which started June above the unit (1.10), shows that the cost of importing pork to the country in that year increased. However, reduced international prices of pork by the end of the year; along with the seasonal increase in producer prices in the domestic market; imports increased rapidly, as the relative cost of imports declined. In other words, the index again Internment was below the unit, which means that the monthly pork imports picked up again. (Colombian Association of Pork Producers, 2013)

By 2014 the formal profit of swine increased by 1.3%, reaching 1,464,995 heads. According to the Colombian Association of Pork. (Colombian Association of Pork Producers, 2014)

2.2.1 Current Status of the Colombian Industry of Pork meat sector

Unfortunately the Colombian pork production is focused on exports and local production can barely meet domestic demand and even had to import from countries like the United States, Chile, and Canada to meet local demand.

Despite previous data showing significant progress in the sector for the first half of 2015 some media claim that the pig sector in Colombia is going through a difficult time due to increased imports of pork, high prices inputs for domestic production and

the slowing economy, as representatives of domestic producers claim that the production of a kilo of meat is making a loss between 20 and 60 thousand per animal or 120-150 kilograms of meat, plus they point out that FTAs are one of the factors that aggravate the situation of the sector, since the existing treaties the relief that has been generated has favored entry into Colombia of over 50,000 tons of pork, making it less competitive to national producer, without leaving that is not reflected consumption of pork compared to the growth in production, consequently the third factor causing the crisis is the oversupply in the market. (CONTEXT LIVESTOCK, 2015)

2.3 Consumption and Production of Meat Pork in South Korea.

The various changes in agriculture, livestock, food policies and disease outbreaks have affected the structure of the pig industry in Korea. South Korea produces about one million metric tons of pork annually, and this puts South Korea far behind Vietnam, Japan and the Philippines, world's leading producers of pork. (Pigs, 2014)

The number of pork producers and the number of pig farms has fallen sharply, there are about 5,000 pig farms, compared with 8,000 in 2009 and 24,000 in 2000. Although the number of pig farms has declined, there has been a steady increase in the total number of pigs, from around 8 million in 2000 to just under 10 million in 2014. (Races, 2015)

In general, the Korean industry is in a phase of transformation, where inefficient small pig farms go out of business for lack of profitability, and therefore an ideal

scenario gun to be invested in large and modern intensive pig farms to fill that void. (Pigs, 2014)

The pork industry in South Korea seems to offer several opportunities. For foreign suppliers of pork it is likely that South Korea be a successful export market for some years and continue so, as the prices of South Korean production will be significantly higher than world market. (Pigs, 2014)

Korean producers still have a long way to go in order to increase productivity and biosafety and this is also good for foreign suppliers (and industry suppliers, such as genetics and animal products) feature. (Pigs, 2014)

The Ministry of Food and Drug Safety recently announced that Koreans consume about 44 kilos of meat per person on average last year, up 22% compared to 36.8 kg. in 2009. Pork is the most popular choice among the 1.08 million tonnes of meat consumed in 2014 (60% more than chicken and more than twice the beef). (Races, 2015)

In fact, meat consumption has grown over the last 40 years, such as income per capita has increased in line with the industrialization of Korea.

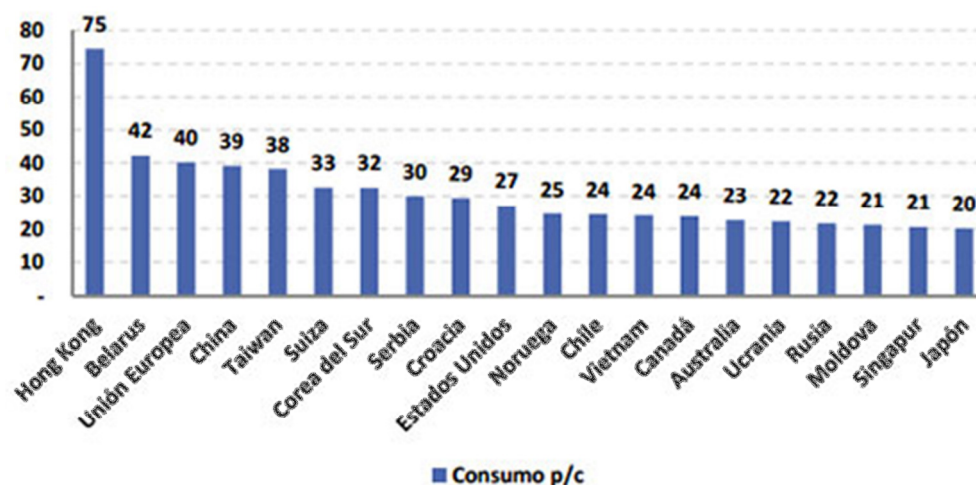
The pork is the most consumed in the world, followed by avian and bovine then. The percentage share of total consumption hovering around 43%, 33% and 23% respectively with a small percentage (2%) for turkey meat.

Hong Kong tops the list of major consuming countries of pork with more than 74 kilograms per capita per year by 2013, almost doubling the second in the list. United

States, Belarus, China and Taiwan around 40 kilograms per year. It also highlights Switzerland and South Korea with 32 kilograms per capita each year.

Highlight of the 7 major consuming countries in the world pork, 4 belong to Asia. (Pigs, 2014)

Graph 1: Major consumer countries: per capita consumption of pork, year 2013



Source: (Porcino, 2014)

2.3.1 Current Status of Pork meat sector South Korea

According to Global Agreements which make an analysis of the international markets, in early 2014 the price of pork in South Korea showed an increase because at the end of the first half of this year, the Korean authorities confirmed the presence of PED virus (Porcine Epidemic Diarrhoea) in 19% of their farms and that about 5.8% of the population of piglets died. (Colombian Association of Pork Producers, 2014)

Korea currently lives with PED virus, production barely catches up to the usual standard, but this only amounts to supply less than 60% of its population, so it is too

attractive market for any provider of pork from abroad who it can comply fully with all phytosanitary requirements and input of the Korean nation who are characterized by the requirement of the same. (Ministry of Commerce, Industry and Tourism, 2011) (Colombian Association of Pork Producers, 2014)

2.4 International trade with South Korea

2.4.1 Bilateral Relationship Colombia-South Korea

Colombian exports to South Korea reached US \$ 336 million in 2012, 5.3% less than in 2010. The main export sectors are the traditional goods including coal leads with a 52.0% stake in the market and sales of \$ 174,798, followed this coffee with a share of 16.8 on the market and sales of \$ 56,425. Non-traditional goods were also part of Colombian exports to South Korea, but its market share and sales were not as traditional goods. Among non-traditional goods are ferronickel with 12.9% of market share and sales of \$ 43,404, Metallurgy occupies 10.5% market share and has sales of \$ 35,257, finally between exports nontraditional exported to South Korea is the field of Basic Chemistry 2.2% market share and sales of \$ 7,239, other imports had a share of 5.6% and sales of 18,842, for A total exported to South Korea in the year 2012 (FOB) \$ 100.0 335 985 and a 100% market share. (ProColombia, 2012)

Table 2: Leading exports market in 2012, expressed in dollars and percentage representation FOB term market

Exports	Thousand US\$	Participation %
Carbon	174.798	52,0
Coffee	56.425	16.8
ferronickel	43.406	12.9
Metallurgy	35.275	10.5
Basic Chemicals	7.239	2.2
Rest	18.842	5.6
Total exported to South Korea (FOB)	335.985	100,0

Source: Ministerio de Comercio Industria y Turismo (2012)

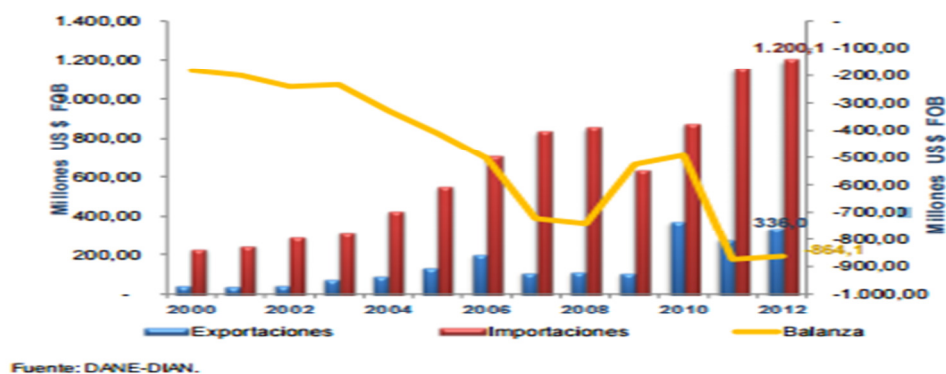
Meanwhile Colombian imports from South Korea reached US \$ 1.2 billion in 2012 , 4.7 % more than in 2010. The traditional Korean goods are the Automotive Sector which has a 44.3 % share of the market and sales of \$ 570,670 44.3 , machinery and equipment has 22.8 % of market share and sales of \$ 293,086 , Basic Chemistry 19.4 % of market share and sales of \$ 249,576 . Metallurgy 7.4 % market share and sales of \$ 95,790 . Textiles 30,742 2.4% market share and sales of 30,742 . The rest of the market has imported a representation of 3.7% and sales of 48 252 3.7 . Total

imports from South Korea (CIF) 1,288,116 100.0 . (PRO EXPORT COLOMBIA , 2012)

Table 3: Main market sectors imported from South Korea in 2012, expressed in dollars and percentage representation FOB term market.

Imports	Thousand US\$	Participation %
Automotive	570.670	44,3
Machinery and equipment	293.086	22,8
Basic Chemicals	249.576	19,4
Metallurgy	95.79	7,4
Textiles	30.742	2,4
Rest	48.252	3,7
Total Imported from South Korea (CIF)	1.288.116	100,0
Imports (FOB)	1.200.123	
Trade Balance (FOB)	-864.137	

Source: Ministerio de Comercio Industria y Turismo (2012)

Graph 2: Trade Balance Colombia – South Korea. 2000-2012 years

Source: Ministerio de Comercio Industria y Turismo (2012)

For many years the trade balances between Korea and Colombia have been tilted in favor of the first, and until 2012 as shown in Figure 1 the rate remains the same, however exports to Korea have begun to rise , although it is even more what is imported than exported , it is then expected that the entry into force of the FTA this is mitigated. (PRO EXPORT COLOMBIA , 2012)

Table 4: Exports Colombia-South Korea by product

Sector	Thousand US \$ FOB		Variation	Participation % 2012
	2011	2012		
Total	276.148	335.985	22%	100,0%
Energetic - miner	90.797	218.282	140%	65,0%
No Energetic - miner	185.352	117.703	-36%	35,0%
Agro	98.747	58.883	-40%	17,5%

Agribusiness	8.099	7.823	-3%	2,3%
Industrial	78.506	50.997	-35%	15,2%

Source: Ministerio de Comercio Industria y Turismo (2012)

In 2012 , bilateral trade for both countries step increased from USD 358 million in 2002 to USD 1,510 million in 2011, meaning that multiplied fourfold in just a decade , according to the Ministry of Industry, Trade and Tourism (2013) .

2.5 Colombia and the FTA with South Korea

2.5.1 Features

- It is the first FTA signed with an Asian country, which will strengthen relations with South Korea and encourage negotiations with other countries on the continent.

- The reduction and elimination of tariffs and non-tariff barriers to Colombian exports in the Korean market to more competitive our industrial and agricultural products, access to a market with high purchasing power and import orientation. In the case of pork tariff reduction will be made in terms of 10-16 years.

- "As the agricultural sector 99.9 percent of supply, livestock and food will have access to the Korean market because negotiation only rice and orange excepted. Moreover, commitments to facilitate access of national agricultural and food goods were traded. Also, there will be a committee that will operate as a privileged channel to solve the issues related to these issues. " (Commerce, Industry and Tourism, 2013)

- It means strengthening the bonds of cooperation and technology transfer knowledge. Today we have a Memorandum of Understanding for Cooperation in industrial areas, and NAFTA has a cooperation chapter.

- A predictable for more productive investment environment.

- The Republic of Korea is a strategic partner for the marketing of Colombians abroad foodstuffs, due to the great demand for food that has the Korean nation.

- The characteristics of South Korea this country can be the best laboratory for entrepreneurs of Colombia learn to better exploit the Asian market.

- Generation of business opportunities for all those individuals and / or companies that can sell their services from Colombia without having to travel or settle in Korea.

- Commitments were negotiated and instance in SPS which facilitate access for our agricultural and food goods to protectionist Korean market.

- Given the importance of harnessing the market in Korea and Asia in general of the National Government will open a trade office in Seoul in order to support Colombian exporters in pursuing opportunities in that market.

- The FTA negotiation has been concluded, signed on June 21, 2013 and until the treaty is signed, but has not yet become effective.

1.6 Information Analysis

The free trade agreement between Colombia and South Korea is an agreement that Colombia had been seeking since 2009 in order to strengthen bilateral relations with Asian countries, eliminating all tariff and non-tariff barriers for both products and services . The signing of the trade agreement with South Korea is considered a strategy that promotes open trade and foreign investment. Also they have signed a series of free trade agreements with different countries as part of their integration into international trade.

When analyzing the sector porcicultor Colombian found that only until the decade of the 70s and early 80s, the industry begins to develop more efficient processes and mechanisms for the production of pork and larger farms are established, generating development porcicola sector and progress in the departments of Antioquia, Valle del Cauca and the coffee. Likewise, the Colombian Association of Pork Producers, which is the entity that represents the Colombian pork producers created 32 years ago.

So, to assess the situation of consumption of pork in the country, we found a growth rate of 6%. Similarly, the production has shown a permanent growth, where this amounts to about 87,243 tons of meat standing. Despite efforts to take forward the industry and increase their production levels this year some media claim that this is in crisis, due to the high prices of inputs for domestic production and the slowdown of the economy, like FTAs in force with the relief that has been generated has favored the entry of more than 50,000 tons of pork, making it less competitive domestic producer,

but the fact that there are foreign oversupply does not mean increased consumption of pork in the country.

Although South Korea tend to have high levels of production porcicola production reaches only supply around 60% of its population, but in early 2014 the sector was hit by the PED virus (Pork Epidemic Dairrhea) opening up possibilities of market penetration all bidders capable of meeting all entry requirements and demand continues to grow.

Given the information above figures Colombian hog production, would not achieve meet the growing Korean demand, as the figures show an increase in consumption between 2013 and 2014 12 kilos per capita (2013, 32 kilos per capita and 2014 44 kilos per capita), ie around 7 times more than the Colombian. It is generally known that Korea is not a major agricultural producer, so their food import is performed major world agricultural powers such as the United States. So the things, though the Korean market is presented as a great opportunity, it would not be feasible with the current production capacity of the country has moved to the United States the South Korean market.

Moreover, noting the bilateral relationship between the two countries, tariffs, labeling requirements, barriers to services and investment barriers without the strong intervention of the state, they question the real benefits it will bring that treaty, as exports made by Colombia to that destination were about US \$ 336 million in 2012, 5.3% less than in 2010. Where the main export sectors were the traditional goods such as coal and coffee, followed non-traditional goods such as ferronickel, Metallurgy and

basic chemistry. Instead imports from South Korea to Spain the figure stood at US \$ 1,200 million in 2012. Where the main sectors of imports correspond to parts, machinery and equipment, followed by Basic Chemistry, Metallurgy and Textiles, ocasionándonos of Input a deficit in the trade balance.

The importance of this analysis is that Colombia has not made such exports of pork in recent years and instead has imported frozen pork , mainly from the United States , confirms the Colombian Association of Pork Producers , without Yet the Colombian government notes that the pork industry is one of the most favored once the treaty enters into force , and so decided for this sector the agreement :

Table 5: Tariff Schedule for pork

SAC 2007	Description	Base tariff	NMF (As of August 13, 2012)
2063000	*Frozen pork meat	20	10

Source: Ministerio de Comercio Industria y Turismo (2012)

All this indicates that becomes highly dubious benefit to a sector that hardly manages to cover domestic demand.

3. Findings

Table 6: Main advantages and disadvantages of the sector colombian porcicultor the FTA between Colombia and South Korea

FREE TRADE AGREEMENT COLOMBIA – COREA DEL SUR	
Advantages	Disadvantages
<ul style="list-style-type: none">• Expanding trade borders inroads into the Asian market, through the empowerment of Colombia's pork industry, since Korea is eager to a bidder that meets all your requirements and of course his coveted demand.• You can set new market opportunities, new links in the production and supply chains; be able to establish productive and commercial alliances; customers have more and more consumers .• Since the agreement has not yet entered into force, the hog farmer sector is time to	<ul style="list-style-type: none">• Among the major long-term goals of the pig sector is represented by the Association of Pork Producers Colombian was never have an exportable, so now the industry is not internationally competitive and lacks training to meet international export standards pork .• The main inputs for feeding pigs and barley are imported , increasing production costs and thus decreasing competitiveness.• Colombia does not have the production capacity , even to meet domestic demand , and

strengthen the industry , so that it can develop its productive apparatus and launch an exportable supply , which can get long-term "benefits" negotiated NAFTA. Thus generating a trade liberalization unconventional Colombia products in China .

- Since periods of relief for the pig sector are large, this sector has the time to demand the government, all the support and the investment required to introduce technology industry , so as to obtain 100 % of the profits , Colombia has the ability to supply all defendant , both internal and external .
- When Colombia begins to export pork to Korea, Korean consumers have more options for shopping and best prices.
- Increased foreign direct investment in different sectors

therefore does not have to supply the Korean demand.

- The porcicultor industry never had a driven development, as it lacks investment and / or incentives from the government, if it happens in other countries like the United States where the government is strongly committed to the agricultural industry, positioning as a leader world .
 - The Korean government is highly protective in terms of the food industry, and although SPS compliance for Colombian exports of pork measures were set out in the agreement, often small and medium farms fail to meet these requirements.
 - Due to the poor development in the Colombian economy 's productive sectors stagnated , while Korean technified , therefore once the treaty enters
-

called by the Colombian government as world class , including agribusiness is specified in niche products and this sector of great interest to Korean businessmen , will then generate a potential for Colombia important to exploit and achieve sustainable development.

- In the future Colombia could get to be part of the APEC (Asia-Pacific Economic Cooperation) and the Colombian government has always had a strong interest in being part of this forum, it would give Colombia the possibility of trade , economic coordination and cooperation with the countries of the Pacific .

into force , Colombia would have to introduce technology yours or consequential generate a large volume of unemployment fatal the Colombian economy would suffer due to displacement thereof with the free trade agreement with south Korea .

- If Colombia continues to import meat frozen pork, this generates a stagnation of productive industry, as the sector porcicultor devoted to import , but would never achieve develop and introduce technology sector , nor would like to export. Also in the future the production sector could disappear .
 - The level of exports from Colombia has few competitive sectors to reach Korea, even zero meat still not part of this trade , while Korea could flood the market with their products, so that the treaty would have
-

little benefit for Colombia and
enormous costs for local
industries .

4. Conclusions and recommendations

4.1. Conclusions

The great interest that has had Colombia with respect to this Agreement is mainly based on the wide range of agro industry that the country, which would generate higher profits, but in the case of Colombian Pork meat industry, these gains would not be reflected in the entry into force of the agreement, because, first, the Korean government has a high level of national protectionism which includes agro industry, thus hindering the interests of the Colombian government for the development of the agreement and second, Korea has a high level of demand for pork and Colombia does not have the capacity inclusive or to cover its own demand, so that the sector was never focused on having an exportable supply, and on the contrary are importing an average of 11,904 tons of meat Frozen pork annually.

Colombia with the objective of the government plan to expand its economic borders and penetrate the Asian market, has signed a free trade agreement with South Korea, which is notorious imbalance of the benefits of the treaty, as are negotiations grant benefits to which Colombia cannot sell and, as in the case of the agro industry, and in turn strongly hitting the products in which if we have greater opportunities to be competitive, as the automotive industry.

The Colombian economy is growing and prospectively the figures to prove it, the government aims to increase per capita income levels through 5 sectors of the development plan are: mining, agriculture, infrastructure, and housing and innovation

have not shown sufficient dynamism and the capacity for growth, and that do not generate enough added value. This demonstrates that Colombia does not have a similar economic development, nor resemble furthest reaches of the Korean economy is widely open to foreign trade on export and this has facilitated to generate significant economic growth, because today 12 is the world's largest economy, according to the World Economic Outlook of the International Monetary Fund in 2011. Ranked 12th in purchasing power parity, it is 5! Exporting country fourth in the world and other companies like LG, Daewoo, and Samsung largest automaker are Korean and employ more than 275,000 workers worldwide. Korea has become a world leader in electronics, digital displays, mobile phones and the largest shipbuilder in the world in terms of tonnage.

4.2. Recommendations

The analysis of the information set forth above can recommend to the Colombian government and directly to the National Association of Pork, to reevaluate their MEGAS (Strategic Goals Great and Ambitious) to improve the sector, thus generating added value, automation of processes, developing an exportable supply, good plant protection practice and international quality standards and demanding more government capital injection, allowing greater investment focused on small and medium farms, so that supply meets the demand by the agreement.

all guilds affected are recommended by the agreement, make a counterproposal to the Constitutional Court, where representatives of these guilds are presented and exposed the negative impact that would bring the entry into force of this agreement, as South Korea has one of the The world's largest economies and sectors are more industrialized Colombia in its present situation would not compete with East Asia as big, so the Colombian industries tend to disappear and increase unemployment. As it should seek renegotiation where the government ensures real benefits to the sectors that are being affected and if no agreement is reached down the treaty. (Valencia, 2011) (PRO EXPORT COLOMBIA, 2012)

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