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WHY RENEGOTIATION?: RENEWAL OF THE SOUTH KOREA-CHILE BILATERAL
FREE TRADE AGREEMENT

A Thesis by

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Chapman University

Orange, CA

Wilkinson College of Arts, Humanities, and Social Sciences

Submitted in partial fulfillment of the requirements for the degree of

Master of Arts in International Studies

May 2022

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May 2022

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FREE TRADE AGREEMENT

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In 2015 I moved to the United States from Chile with a suitcase full of books following my dad's dream job adventure. Through my years of higher education in the United States, I have become fascinated by middle-power countries, issues in developing nation-states, and women's rights. At the end of 2020, during the global pandemic, I purchased the Monocle Issue 139, with their annual survey on "soft power." What followed was a year of research in South Korea and Chile that led to this project. My background as a female immigrant allowed me to explore this topic from a perspective beyond economic gains and trying to emphasize politics and gender.

ABSTRACT

WHY RENEGOTIATION? RENEWAL OF THE SOUTH KOREA-CHILE BILATERAL FREE TRADE AGREEMENT

by Montserrat Bugueno Molina

This thesis project explores the motivations behind the bilateral free trade agreement (FTA) renegotiation between Chile and South Korea. Existing studies have examined the reasons and outcomes of creating the initial Chile-South Korea FTA, but they have not focused on renegotiations between the two countries. A few investigations on renegotiations have focused on diversifying their exports and expanding their markets in each other's regions. However, most research lacks further exploration of both countries' market security concerns. By analyzing official government documents and conducting three semi-structured interviews with government officials and experts in the field, I argue that the current protectionist policies in the developed West have economically motivated Chile and South Korea to renegotiate their treaties. I demonstrate in particular that the key motivation for their renegotiation is to enhance their market security. This research contributes to the literature on FTA renegotiation by exploring motivations focusing on the case of FTA between Chile and South Korea.

Keywords: Free Trade Agreement (FTA), Renegotiation, Chile, South Korea, Market Security

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1. INTRODUCTION

First of its kind for both countries, the bilateral free trade agreement (FTA) between Chile and South Korea bridged the Asian-Pacific region economically for the first time.¹ Moreover, Chile was the first country in Latin America to engage in diplomatic relations with South Korea in the 1960s². Therefore, the relationship both countries have is unique and essential for the cohesion of international relations and the Asia Pacific region. Historically, both countries have a similar background, and their rapid development was surprising to the international world. Building their economies after years of colonization and authoritarianism made the creation of trade agreements essential for the development of their economies and their domestic industries (Seth, 2022; World Bank, 2021).³ For Chile, a bilateral free trade agreement with South Korea meant the expansion to the East Asia region, leading to the creation of a bilateral FTA with China and other countries around the region. As for South Korea, the creation of this treaty was the first step toward opening their domestic industry beyond regional multilateral agreements.

The renegotiation of their bilateral FTA was a step needed to keep their trade up to date with the current domestic policies both countries engage in. Twelve years after the enactment of the current trade agreement, both countries entered into the renegotiation of the trade agreement, enhancing the relationship between the Asian Pacific countries.⁴ The relationship between these

¹ Subsecretaría de Relaciones Económicas Internacionales, Ministerio de Relaciones Exteriores, Gobierno de Chile (2022) <https://www.subrei.gob.cl/estudios-y-documentos/otros-documentos/detalle-otras-fichas-y-reportes/chile-y-corea-del-sur-evaluación-tratado-de-libre-comercio> (Accessed March, 2022)

² Relaciones Bilaterales. Embajada de Chile en Corea del Sur, Ministerio de Relaciones Exteriores, Gobierno de Chile <https://chile.gob.cl/corea-del-sur/relacion-bilateral/relaciones-bilaterales> (Accessed March, 2022)

³ Michael J. Seth (2022) further explores the economic and industrial development South Korea had from 1948 to 1996, when the country became one of the biggest economic development cases. The author further explains that there were two main reasons for the country's economic take off around the 1960s, (1) the expansion of education, and (2) land reform based on an Export Oriented Industrialization model. On the other hand, the World Bank (2021) states that Chile has had a historic economic development and poverty reduction in the last few decades.

⁴ Ministry of Foreign Affairs of Chile. (2016, November 18). *Ministry of Foreign Affairs of Chile - Chile began a Free Trade Agreement deepening with South Korea and subscribed to a supplementary agreement on investments with Hong Kong*. Ministry of Foreign Affairs of Chile. Retrieved April 18, 2022, from

two countries have always been of mutual support and are defined by a symmetrical relationship. Moreover, historically, Chile has been the leading proponent for the expansion of South Korean relations into Latin America, being the first country in the region to create diplomatic ties with the East Asian country.⁵ Therefore, starting this trade was organic and critical for both nation-states to break into each other's regions. Renegotiating the current bilateral FTA enacted in 2004 will create a more sustainable treaty, discussing the topics beyond trade, such as a trade agreement that guarantees gender equality in domestic industries. Although most scholars expand on the importance of bilateral trade agreements, the motivations behind renegotiating bilateral trade agreements are less discussed.

Despite the success of the bilateral FTA, the renegotiations for the treaty, which started in 2015, have been prolonged for over five years, highlighting the protectionist movement that most international relations have seen. For South Korea, renegotiating this treaty also means protecting its farming industry and developing its technology industry, allowing the country to maintain its economic growth. Reflecting on the South Korea-United States renegotiation of their bilateral FTA, the East Asian country lost some of its comparative technological advantages due to American protectionist ideologies. Therefore, renegotiating a treaty they see themselves benefited is crucial for its economy (Lester, et al., 2019). For Chile, a plan to expand their economy through the promotion of Chilean exports led them to start renegotiating most of their FTAs; nonetheless, their intent to do so is more focused on agricultural products than natural minerals, essential to the development of technological markets, such as the East Asian one (SUBREI, 2022). The necessity for the proliferation of the Chilean and South Korean markets

https://www.minrel.gob.cl/chile-began-a-free-trade-agreement-deepening-with-south-korea-and/minrel_old/2017-05-18/165619.html

⁵ Relaciones Bilaterales. Embajada de Chile en Corea del Sur, Ministerio de Relaciones Exteriores, Gobierno de Chile <https://chile.gob.cl/corea-del-sur/relacion-bilateral/relaciones-bilaterales> (Accesed March, 2022)

during the early 2000s led to the creation of the first Asian-Pacific trade agreement in the region. During the late 1990s, the Chilean government pursued bilateral FTAs, leading to the enactment of multiple FTAs worldwide and allowing the government to explore other markets on their terms (Wehner, 2011). Currently, South Korea sits as Chile's fourth-largest import partner, increasing South Korea's exports by around three percent annually, growing exponentially after 2004 (Subsecretaría de Relaciones Económicas Internacionales, 2022). While the current FTA between these countries has been successful for both markets, reflected in the trade exchange expansion of 4.2 percent annually,⁶ the socio-economic progress in both regions and the current international policies have driven the Chilean and South Korean governments to modernize their agreement. This thesis asks two fundamental questions, what are the economic and political motivations behind the renegotiation of the Chile-South Korea bilateral FTA? And why did both countries decide to renegotiate fourteen years after enacting their current bilateral FTA?

The project examines the effect of international protectionism by the developed West on the trade agreement renegotiation between Chile and South Korea. I argue that the growth of both countries' economies and the current international protectionist policies between the United States, China, and Western Europe have opened the door toward the renegotiation of the existing South Korean and Chilean FTA. The renegotiation of the South Korean-Chilean FTA also implicates the reevaluation of each country's morals and values that reflects on the FTA. The symmetrical relationship between Chile and South Korea is also crucial to understanding the stand of both countries regarding the renegotiation. In this case, both countries' governments have become stronger through economic growth, allowing them to become more powerful in

⁶ *Chile-Corea del Sur: Acuerdo de Libre Comercio*, Subsecretaría de Relaciones Económicas Internacionales, Ministerio de Relaciones Exteriores. Gobierno de Chile (2022). https://www.subrei.gob.cl/docs/default-source/estudios-y-documentos/otros-documentos/corea_del_sur_2021.pdf?sfvrsn=47ed2a4e_1 (Accessed March 2022)

their respective regions. By analyzing official government documents, such as publications from both countries' Ministries of Foreign Exchange, and conducting semi-structured interviews, I argue that international protectionist policies in the developed West are the main factor for countries to renegotiate their treaty. For South Korea and Chile, the effect of these policies has also allowed them to renegotiate their bilateral FTA in which both of their economies are protected and able to regionally expand, and are based on their political agenda of sustainable development. The main findings of the research are that even though the major economic motivation for renegotiating the Chile-South Korea bilateral FTA, the reason each of the nation-states' chose each other was political ideologies and international prestige. Although lack of data limits the development of the political argument, market security is the most relevant motivation for renegotiating the bilateral FTA.

This research contributes to the literature on market security and political prestige while engaging in trade. Highlighting the relevance of a strong relationship between the Asian-Pacific region and the benefits both regions have when engaging in bilateral trade. Therefore, analyzing the implications of joining bilateral trade agreements creates a substantial understanding of countries' motivations. The research also investigates the reasons and implications of renegotiated bilateral agreements and focuses on the influence of the protectionist policies within developed countries, such as the United States and West Europe. This essay contributes to the literature on protectionist policies' implications on trade, by also providing some background information on middle power diplomacy, sustainable development, and economic gains. The essay also contributes to the literature on geopolitical power.

2 BACKGROUND INFORMATION

2.1 TRADE DEVELOPMENT BETWEEN CHILE AND SOUTH KOREA

Currently, Chile is one of the few countries with a bilateral FTA with the biggest markets in the world. Nonetheless, the liberalization of their market was a lengthy process that drastically changed during the 1980s. From the 1930s to the late 1960s, Chile followed a trading system of import substitution industrialization. This system was characterized by import tariffs, exports and imports quotas, a system with multiple exchange rates, and other trade barriers. By the beginning of the 1970s, the country moved to harsher trade barriers in the hopes of prioritizing its domestic market. Nonetheless, by the 1980s, during a neoliberal authoritarian regime, the Chilean government reduced the tariffs implemented in the 1970s by almost 30%. It sought to expand its global trade partners during the late 1990s and early 2000s (Corbo, 1997). As an economy that mainly exports agricultural products and natural resources, creating agreements that would allow its economy to grow is essential to maintain its international competitiveness. Moreover, making most of their economic development based on the import substitution industrialization did create, to some extent, global dependency to develop their domestic industries and international trade thus engaging in trade agreements with developed and developing countries is crucial to maintain their economic power.

The liberalization of the Chilean economy has been a long process, in which the country has adjusted to the international climate to cater to more developed economies. Having a small economy in contrast to other countries in the region, Chile has been able to adapt its economic policies throughout the years. The Chilean Ministry of Foreign Relations (2022) states that the idea behind opening their market was for the proliferation of trade. Chile has modified its trade strategy from the reduction of tariffs in unilateral trade agreements to engaging in diverse

bilateral and multilateral trade agreements. Therefore, the country has built a trade development system based on the exports of goods and services (2022: 22). By establishing the country's trade development on an export-oriented approach, engaging in multiple bilateral free trade agreements was the only path for the government to create a framework in which its products are prioritized. Most trade relations on this idea were made and enacted during the late 1990s and early 2000s when Chile was still a small economy within Latin America. Since then, not only has the country's economy grown and developed, but international and domestic trade standards have changed and evolved, which is why the country has started renegotiating most of the trade agreements made during that period. The enactment of the South Korean-Chilean bilateral free trade agreement in 2004 was the first step in the Chilean trade project. Thus, renegotiating it after a decade and a half would allow Chile and South Korea to create an agreement that would mutually benefit both countries better.

Like many East Asian countries in the late 1990s, South Korea followed multilateral agreements that enhanced regional cohesion within East Asia. Most countries in the region followed the World Trade Organization trade rules, which mostly emphasized multilateral policies over bilateral trade. The rise of regionalism in the world throughout the late 20th Century and early 21st Century led South Korea to engage in negotiations toward bilateral trade agreements (Hyun, 2003). The engagement in the bilateral trade agreements would eventually allow them to create a comparative advantage for their domestic industry exports. Since the South Korean market is similar to other markets in the region, gaining a comparative advantage was key to enhancing its international position. Moreover, the creation of bilateral trade agreements has allowed South Korea to gain an international position within developed economies globally, having key market trade partners.

As seen in Table 1, major economic indicators reflect each country's economic size for a better understanding of their trade power and the need for trade partners to develop their domestic markets. Noting major exports, each of the countries has demonstrated what trade partners they look for when engaging in trade and the types of trade agreements they look for in expanding each market.

Table 1: Chile and South Korea Economic Indicators

	Chile	South Korea
GDP	\$252.9 Billion US Dollars ⁷	\$1.631 Trillion US Dollars ⁸
GDP per capita (2020)	\$13,231.70 USD (2020) ⁹	\$31,489.12 USD (2020) ¹⁰
Average Economic Growth (2020)	-5.8% Growth ¹¹	-0.96% Growth ¹²
Major Exports	Copper Ore (21.4 Billion USD), Refined Copper (\$14.5 Billion USD) ¹³	Integrated Circuit (\$89.1 Billion USD), Cars (\$36.9 Billion USD) ¹⁴

Sources: See Footnotes

⁷ The World Bank. (n.d.). *GDP (current US\$) - Chile*. The World Bank. Retrieved May 15, 2022, from <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=CL>

⁸ The World Bank. (n.d.). *GDP (current US\$) - Republic of Korea*. The World Bank. Retrieved May 15, 2022, from <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=KR>

⁹ The World Bank. (n.d.). *GDP per capita (current US\$) - Chile*. The World Bank. Retrieved May 15, 2022, from <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=CL>

¹⁰ The World Bank. (n.d.). *GDP per capita (current US\$) - Republic of Korea*. The World Bank. Retrieved May 15, 2022, from <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=KR>

¹¹ The World Bank. (n.d.). *GDP growth (annual %) - Chile*. The World Bank. Retrieved May 15, 2022, from <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=CL>

¹² The World Bank. (n.d.). *GDP growth (annual %) - Republic of Korea*. The World Bank. Retrieved May 15, 2022, from <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=KR>

¹³ OEC. (n.d.). *Chile (CHL) Exports, Imports, and Trade Partners*. OEC. Retrieved May 15, 2022, from <https://oec.world/en/profile/country/chl>

¹⁴ OEC. (n.d.). *South Korea (KOR) Exports, Imports, and Trade Partners*. OEC. Retrieved May 15, 2022, from <https://oec.world/en/profile/country/kor>

2.2. CURRENT FTA

In April of 2004, the Republic of Chile and South Korea entered into force the first free trade agreement between a Latin American and Asian country. South Korea's first bilateral agreement negotiations took longer than the norm, starting in September of 1990 (Leiteritz, 2021). For both nation-states, the significance of this free trade agreement meant the expansion of their markets and their diplomatic relations. Its bilateral characteristic allowed for South Korea's first tailored-made agreement for the development of their economy and reaching foreign markets. As for Chile, it was the first step toward expanding its relations with East Asia. Nonetheless, both countries have been involved in renegotiating their current trade agreement, in hopes of upgrading it to both governments' standards and expanding their economic and diplomatic relations¹⁵. In recent years, both South Korea and Chile have taken middle power diplomacy, which reflects in the creation of diverse agreements to enhance international relations.

Although negotiations towards the current bilateral trade agreement between both countries were prolonged, the treaty created key provisions for the development of the market for both countries and their diplomatic relations, creating a chapter that enhanced both countries' agricultural markets. Seven objectives were briefly explained as initial provisions, such as promoting fair competition and eliminating trade barriers, and creating a framework to further expand each country's cooperation in both regions. The agreement details the trade relation between both countries, such as the exports and imports taxes and barriers, and concludes with final provisions for the expansion of the current agreement, by amending it. Furthermore, the

¹⁵ *Chile-Corea del Sur: Acuerdo de Libre Comercio*, Subsecretaría de Relaciones Económicas Internacionales, Ministerio de Relaciones Exteriores (2022)https://www.subrei.gob.cl/docs/default-source/estudios-y-documentos/otros-documentos/corea_del_sur_2021.pdf?sfvrsn=47ed2a4e_1 (Accessed March 2022)

provisions negotiated in the current bilateral free trade agreement between Chile and South Korea touches on the trading of Chilean agricultural goods, and Korean made automobiles and technology.¹⁶ For both countries, opening these markets to each other's regions was crucial for developing their economies. However, some farmers' groups from South Korea's well-established agricultural sector saw this agreement as harmful to Korean agricultural goods (Park et al., 2007).

Following the World Trade Organization regulations on trade agreements, enacted in 2004, the South Korean-Chile bilateral free trade agreement's main provisions highlighted the diversification of both markets by eliminating trade barriers. The initial provisions also include promoting fair competition, in which investment opportunities are substantially increased for both regions. Both parties involved agreed to provide adequate protection and enforcement of intellectual property, and create a process in which the agreement was successfully implemented. The provisions finalized with the establishment of a structure for the expansion of bilateral and multilateral cooperation to strengthen the current trade. Further, the treaty also includes administrative and institutional provisions, divided into three main chapters in regards to (1) transparency, (2) administration of the agreement, and (3) the dispute settlements. Both parties agree to create a contact point to facilitate communication on the transparency matter. For example, informing the issue to the appropriate contact point and all publications must be made public, creating a peaceful and transparent agreement of mutual benefit for both parties. The administration of the agreement provides a framework for the structure of the agreement, listing a commission that supervises the implementation and application of the agreement's provisions.

¹⁶ *Chile-Corea del Sur: Acuerdo de Libre Comercio*, Subsecretaría de Relaciones Económicas Internacionales, Ministerio de Relaciones Exteriores (2022) https://www.subrei.gob.cl/docs/default-source/estudios-y-documentos/otros-documentos/corea_del_sur_2021.pdf?sfvrsn=47ed2a4e_1 (Accessed March 2022)

The primary purpose of the commission is to evaluate the results obtained during the agreement, supervise the work of the committees and working groups and designate a secretary. As the administration of agreements provision entails, the dispute settlement provision states a framework in which if an issue were to emerge, steps should be followed for both parties, such as the choice of a forum. Additional provisions are listed in Part VII, where expectations of the agreement are explained in detail¹⁷.

2.3. MOTIVATIONS FOR THE CURRENT FTA

Bilateral trade free trade agreements are essential for economic market development, especially for secondary markets such as South Korea and Chile. Bilateral trade agreements (FTAs) conveys an arrangement between two nations, offering the parties involved economic advantages.¹⁸ Motivations for countries to engage in these types of agreements usually vary from one region to the other, and the countries' relations. In contrast to multilateral agreements, bilateralism allows for trade agreements to cater to the economic market of the parties involved. While bilateral trade has been a tool used by nation-states to increase their economic power, the motivation for renegotiation of them is often less discussed. This research provides a new angle on the government motivations behind the renegotiation of bilateral trade agreements, while also incorporating an analysis of the complexity of the current international relations climate.

Motivations for both countries to engage in negotiations for the current agreement varied, due to their economic needs. With limited resources and a small economic market, in the late

¹⁷ *Chile-Corea del Sur: Acuerdo de Libre Comercio*, Subsecretaría de Relaciones Económicas Internacionales, Ministerio de Relaciones Exteriores (2022). https://www.subrei.gob.cl/docs/default-source/estudios-y-documentos/otros-documentos/corea_del_sur_2021.pdf?sfvrsn=47ed2a4e_1 (Accessed March 2022)

¹⁸ "EU Bilateral Agreements (or 'Side Deals')." Institute for Government. Institute for Government, October 22, 2018. <https://www.instituteforgovernment.org.uk/explainers/bilateral-agreements>.

1990s and early 2000s, Chile set out in the pursuit of different free trade agreements throughout the world. The need of expanding their market in order to broaden their international political power led them to form alliances with almost every region of the world by the late 2000s.

Having around 27 free trade agreements, the country's proliferation of free trade agreements has allowed them to extend their foreign direct investment. Moreover, Chile differentiated itself from any other country in Latin America because it was the first to create agreements with more developed markets, thus bridging the region worldwide (Wehner, 2011). Therefore, the country has been able to develop political relationships through FTAs. On the other hand, since the late 1980s, South Korea and countries in the East Asian region have followed the World Trade Organization regulation on trade negotiations, making most of their treaties regional and multilateral. Nonetheless, during the early 2000s, it was South Korea the first one to embrace bilateral trade agreements and expand its market outside the Asian region (Park et al, 2007). Furthermore, this expansion allowed them to develop their economy and export Korean-made technology around the world.

2.4. OUTCOMES OF THE CURRENT FTA

Some of the outcomes from the current treaty between both countries are reflected in economic and market gains. Since the enactment of the current agreement between both parties, the trade exchange has grown by 4.2% annually, and Chilean-made goods exports have grown by 5.1% annually to Korea since 2004. Nonetheless, following the treaty enactment up to 2008, the exports and imports from both countries increased exponentially; yet, in the recent decade, the exports and imports have mainly stayed stagnant. However, the diversification of both markets through trade has increased each year since the beginning of the treaty, with the main

diversification in 2009 and seeing one of the biggest in the last few years (Subsecretaría de Relaciones Económicas Internacionales, 2022).

Since the start of the idea of renegotiating their trade agreement in 2015, Chile and South Korea have had five major meetings to discuss the different terms in which the trade agreement could be upgraded. The first one was held in November of 2018 and due to the pandemic, the fifth and last meeting was held to date in June of 2020. According to the Ministry of Foreign Exchange the five meetings have had as main points of discussion market access, facilitation of trade, anti corruption, intellectual property, labor, environment, gender, digital economy, cooperation and legal affairs. One main issue that arose discussing the renegotiation of the agreement by the Chilean agricultural industry was the historical protectionist characteristic of the South Korean agricultural industry, which limits Chilean exports. In meetings with the Chilean agricultural private sector, the government highlighted the need to expand the treaty so over 450 agricultural goods can be added to the no-tariff list for exportation; some of these products being highly protected in agricultural industry by the South Korean government¹⁹. Both countries have recent experience in renegotiating some of their treaties. Chile as well as South Korea have recently finished their negotiation of two of their biggest bilateral trade agreements. On one hand, Chile finished and passed their negotiated bilateral FTA with China, making South Korea their second agreement in the East Asian region to be renegotiated. On the other hand, South Korea renegotiated their agreement with the United States, after President Trump's plan to embrace American-made goods. Currently, the renegotiation of the agreement between both parties involved is being done by the Subsecretary of Economic International Relation, under the

¹⁹ *Profundización Tratado de Libre Comercio Chile-Corea del Sur*, Cuarto Adjunto, Subsecretaría de Relaciones Económicas Internacionales, Ministerio de Relaciones Exteriores, Gobierno de Chile (2022) <https://www.subrei.gob.cl/acuerdos-comerciales/acuerdos-en-negociacion-y-suscritos/profundizacion-tratado-de-libre-comercio-chile-corea-del-sur> (Accessed April 2022)

Ministry of Foreign Relations in Chile, and in South Korea the Ministry of Trade, Industry and Energy.

3. LITERATURE REVIEW

3.1. EFFECTIVENESS OF THE CURRENT FTA

Existing literature on FTA between Chile and South Korea can be categorized into two topics: effectiveness/outcomes and motivations. First, a group of scholars has examined the effectiveness of creating an FTA between Chile and South Korea. These scholars argue that the FTA is beneficial due to its bridgehead effect, meaning that both countries use this trade to get into each other's regional markets. For example, Kang et al. (2016: 9) argue that the FTA has allowed both countries to expand their markets, especially South Korea due to the asymmetrical relationship. By using the Melitz model, the author demonstrates that South Korea has gained a notable advantage in the Chilean market by removing Chile's tariff on Korea, thus also opening their exports to the Latin American market. South Korean exports to Argentina increased from 24.7% from 2003 to 2005, to 29.8% from 2003 to 2007 (2016: 10). In another example, Lee et al (2017: 479) demonstrated through statistical analysis how the bridgehead effect works in asymmetrical trade relationships by having an export growth in developing countries—Chile in this context— and an import developed country such as South Korea. In other words, South Korea's economy benefited greatly from the treaty by expanding its markets to regions that were hard to access before the treaty. Nonetheless, the authors argue that South Korea's exports rate to other Latin American countries has fallen as their exports to Chile increased due to the FTA (2017: 478). These findings show that even though the FTA between Chile and South Korea has had major beneficial implications, it has also made their markets more dependent on each other. Furthermore, as Gómez Ramos et al (2021) argues, South Korea is a vital market for Latin America, using GDP data from current trade agreements South Korea has with the region, it is

demonstrated that South Korean exports are crucial for market development within the Latin American region (2021: 74).

3.2. MOTIVATIONS FOR THE CURRENT FTA

Second, a few scholars have examined the motivations for FTA between Chile and South Korea. Some have focused on South Korea's motivation to expand its economic market. The growth of the South Korean economy and the stable international market, has been reflected in the benefit of bilateral trade agreements the country has engaged in. For example, Park et al. (2007) argue that the main motivation for South Korea to join a bilateral trade agreement with Chile was the expansion of their market beyond their regional frontiers, which was small due to only regional agreements. Using a descriptive-analytical method, the authors explore diverse motivational factors to create bilateral FTAs, such as strengthening South Korea's regional economic security. The authors concluded that the proliferation of their market also allowed them to create stronger diplomatic bonds with Chile and other countries in the Latin American region and raise their country's status (2007: 266). To be specific, since the 1970s, the Korean economy and other East Asian countries' economies experienced a rapid expansion in their markets. Therefore, most of their engagement in trade was through the methods proposed by the WTO and multilateral agreements, instead of the Western bilateral FTAs strategy. In particular, the economic crisis that the East Asia region faced during the late 1990s allowed South Korea to rethink its international economic strategy (2007: 259). In another instance, Kim (2003) argues that the main reason East Asian countries, especially South Korea, engaged in a bilateral trade agreement with Chile was due to an imminent threat to the competitiveness of Korean-made goods in the Latin American region. Although Kim theorized different motivations behind the current FTA between the two

countries, the author highlights how the proliferation of Korean liberalization policy affected the creation of the FTA. Using a relational content analysis based on diverse theories and data, the author concludes that the bilateral trend that South Korea has engaged in is essential to their liberalization and free themselves from market marginalization in the East Asian region (2003: 390). For South Korea, creating an agreement with Chile meant more than economic gains, but also expanding their diplomatic alliances and international power away from regional super powers, such as China and Japan.

Another group of scholars focus on Chilean motivation to enact the current bilateral FTA with South Korea. These scholars argue that although their motivations are rooted in their expansion of their market, it is also based on the need for exports of more developed markets for the development of their economy. For instance, Wehner (2009) emphasized that the reason Chile engaged in multiple FTAs was to increase the foreign direct investment into the countries (2009: 7). Therefore, stabilizing their economy with the support of foreign economies. Moreover, using mixed methods by exploring diverse data, the author concludes that the main motivation of Chile to engage in bilateral FTAs, specially with Korea, is to expand their global position and international market (2009: 24). In another example, Harrison, et al (2001) argues that this pursuit of expanding their market by creating free trade agreements only benefits Chile, and not big economies such as South Korea, which is why Chile still engages in bilateral trade agreements. Using a multi-regional trade model, the author argues that Chile's access to preferential markets has exponentially increased through FTAs agreements (2001: 2). The main motivation for Chile to create and renegotiate bilateral trade agreements is to create relationships that otherwise would be harder to get in.

While less researched, literature regarding the renegotiation of free trade agreements is mostly based on economic gains and the growth of markets and governments. Crowley et al (2018) focus on the decrease of trade agreements in the current international climate. The author's main finding is that although renegotiation used to not increase existing trade barriers, in recent years, as NAFTA and the U.S-Korean renegotiations demonstrate, this has not been true (2018:1). Nonetheless, some scholars argue that renegotiating a trade agreement is common and something expected of countries engaging in trade. Hoda (2001) argues that the renegotiation of treaties is not only common but also something economically recommended for every 60 to 70 years. This is not only due to the economic expansion of markets over the years but also because governments and political views change.

3.3. CONTRIBUTION TO THE LITERATURE

There has been limited research regarding renegotiations due to multiple reasons, such as the lack of research on FTAs between countries in both regions, and the major halt the negotiations had during the pandemic. Leiteritz (2021) briefly expands on the current motivations for modernizing the agreement, such as expanding it for e-commerce in both nations. The author argues that the creation of the bilateral FTA between both countries has made possible the formation of other types of bilateral agreements, such as an agreement on defense and cooperation, and working holiday visa (2021: 13). Leiteritz examines some of the motivations for renegotiating their bilateral FTA, while exploring the different agreements that South Korea holds with some Latin American countries, such as Colombia and Peru. Nonetheless, these studies are centered around the current trade agreement between both countries, allowing for limited information on the motivations behind the new treaty. Despite the significant findings,

the current literature lacks a more in-depth analysis of the motivations and how would the new agreement differ from the current. The main limitation of this article is that the author only lists the presumed motivations for the updated treaty without generally expanding, thus no major exploration of the topic can be found in the article.

In particular, the current literature on the renegotiation of bilateral free trade agreements, although limited, focus on either powerful countries' interests to maximize and prioritize their markets or the success of their first one and on the expansion of the current agreement. For example, Crowley et al (2018) argue that powerful states' interest to renegotiate is due to the fear of trade negotiation breaking down causing the increase of tariffs beyond the existing commitment. The authors' findings highlight that goods and services trade during renegotiations tend to decrease, thus the margin flow does too, causing an issue for each country's market (2018: 28). In contrast, some literature points out that successful trade agreements do not create major effects on each country's domestic market. Soon, et al (2019), using the Korean tariff-rate quota on rice as a case study, argue that the success of the South Korea-United States Free Trade Agreement (KORUS) trade agreement has allowed this industry to stay stable and strong. Using a descriptive-analytical method, it is theorized that the KORUS renegotiation could allow the expansion of the protected rice industry in Korea; concluding that the renegotiation of the agreement and removing the TRQ will not affect the rice market (2019: 448). Renegotiating free trade agreements to protect and expand each country's market creates little to no effect on the economy of the countries involved. However, these studies do not explain the real motivations behind renegotiating bilateral trade agreements, especially in more symmetrical relations, such as the case of South Korea and Chile.

Furthermore, most studies on bilateral FTAs that both countries have with other nation-states generally highlight FTAs Chile and South Korea have with bigger and more developed countries. The studies also highlight the asymmetrical relationship in which countries engaged in. When negotiating FTAs with the United States, China or Europe, smaller economies tend to follow the requirements asked for, instead of bridging cultures and markets. Although some scholars argue that such an asymmetrical relationship was important for the development of the FTA between South Korea and Chile. It can be concluded that both countries' desire to expand their markets is driven by the success of the trade agreement, in which South Korea and Chile have a symmetrical relationship (Groosman 2016: 9). In contrast to trade agreements with more developed markets, this treaty could allow for less dependency on important markets in each region, such as the United States, China and Japan. By examining the new renegotiation of the FTA, this research theoretically contributes to the literature on FTAs between countries with similar economies to achieve better international relations and domestic development. The empirical explanation to the renegotiation of the trade agreement is the current international climate that has allowed for Chile and South Korea to further expand their relationship. Moreover, this research makes new findings regarding bilateral trade agreements, the current international climate of isolationist policies by developed Western countries, and the Asian-Pacific bond and the relationship between South Korea and Chile.

4. THEORETICAL FRAMEWORK

4.1 MARKET SECURITY

A central motivation for the renegotiation of the agreement is the need for expansion of South Korean and Chilean markets, creating security by having preferential access to other markets. Since both countries have limited access to other markets due to their location, and both of them are not the predominant power within their own region, engaging in trade would allow for their geopolitical power to exponentially grow. Gómez Ramos et al (2021) using GDP data from current trade agreements South Korea has with the region argue that South Korean imports are crucial for market development in Latin America (2021: 74). Moreover, Wilson (2012) states that there are three main motivations why countries in the East Asian-Pacific region have to engage in free trade agreements; (1) advancement in trade liberalization beyond the WTO, (2) secure access to advantageous markets, and (3) gain political relationships with other countries beyond economic grounds (2012: 443). It can be argued that these three main motivations have been accentuated more due to the recent protectionist policies put in place by developed countries in the West.

A trend against globalization and international openness has been on the rise for the last couple of years in the developed West. Amadi's (2020) argument, that liberalization promoted by American influence has halted, and that since the latest 2000s and early 2010s a rise of rejection towards liberalism has arisen from the United States' expansion to the rest of the developed West, reflected in Trump's "America First" agenda (2020:7). Although the South Korean and Chilean bilateral trade agreement has allowed both countries to expand their political and economic power, the current rise of protectionist policies is one of the main motivations that has led to the renegotiation of the treaty. While it can be argued that trade agreements are bound

to be renegotiated, the timing of the renegotiation is crucial to understanding other motivations. Walker (2018) states that the protectionist movement has been a trend for the last couple of years, and it is not only reflected in the 2017 Trump foreign policy but in other Western European governments moving into a more protectionist trend, by putting their economies and market first, instead of outsourcing (2018: 9). For South Korea and Chile, this trend, directly and indirectly, affects their market growth. Expanding on the timing of renegotiating a bilateral treaty, such as the South Korean with Chile, this protectionist movement of the developed West is directly related to the middle power both countries exercise. In contrast to this rejection of liberalization, some scholars argue that it has aided the development of middle power countries. Mo (2016) briefly analyzed the role of middle power countries in global issues and liberal international order. Focused more on the role South Korea has played, the author argues that middle powers tend to have a global governance role, thus assuming global responsibilities. The authors state when taking on these roles of global governance, middle-power countries should practice open civic nationalism (2016: 606). Both theories complement each other, with Mo's theory supporting Walker's protectionist theory.

Although South Korea and Chile are not the most powerful countries or globally influential countries within their regions, the current power struggle between China, the US, and West Europe, has opened a path for less powerful economies to reach smaller markets. Amadi (2020) theorized that the liberalization of markets is having drastic changes, where distrust is the main focus for developed countries (2020: 1). In recent years, developed nation-states, such as the US, Europe, China, and Japan, have taken steps towards further protecting their own markets; therefore, developing economies have had the need to find new paths for their advancement. Webster (2007) argues that the trend of Western protectionism has incited East Asian countries

to find new paths for trade agreements. The author theorizes, exploring different East Asian countries' trade agreements, the favorable effect they have in Western markets. Nonetheless, the author emphasizes in his findings, how NAFTA and the Single Market of Europe are isolationist regional multilateral agreements (2007: 439). As Webster indicates, a trend of isolationism has emerged in recent years; thus motivating developing markets to create partnerships between each other that would enhance their international power.

While the South Korean market is stable and has been exponentially growing since the late 1960s, creating bilateral FTAs and renegotiating to a better agreement is crucial to the development of their own market and the security of their domestic markets, especially the technological industry. Liou (2008) argues that the reason why South Korea decided to enact FTA agreements in 2004 was to secure their overseas market, thus also to ensure the development of their economy (2008: 46). Being able to export their domestic products is vital for them to gain comparative advantage within the region. Yamamoto Rosenbaum et al (2016) argues that the expansion of regionalism and the East Asian economic downturn of 1997 led South Korea to enact FTAs in order to protect and develop their economic markets (2016: 986). Breaking with regional agreements, as stipulated in the WTO, allows South Korea to gain comparative advantage in foreign markets while securing trade paths for their products.

In contrast to South Korea, Chile's primary industry is not technological, but agricultural; therefore, the creation of economic partnerships for Chile means not only the development of their economy but also the stability of their markets. Wehner (2011) argues that Chile engaged in the early 2000s in diverse free trade agreements because they were convinced that trade liberalization would strengthen their economy, and diversify their market (2011: 209). On the other hand, Harrison et al (2001) argues that Chile engages into trade agreements not only for the

the diversification of their market, but also preferential access to highly protected foreign markets, such as the agriculture, that otherwise gains for the trade would be highly reduced (2001:18). Therefore, market security for Chile creates more opportunities for their domestic industries to expand but also to diversify their markets.

H1: Chile's and South Korea's desires for market security led them to renegotiate their FTA.

4.2 ALTERNATIVE EXPLANATION: INTERNATIONAL POLITICAL POSITION

A middle power state aims to engage in international relations through different diplomatic tools, such as trade agreements.²⁰ Liou (2008) states that political and strategic motivations are the main factor for countries to engage in bilateral free trade agreements, given that the framework put in place by the World Trade Organization is disadvantageous for less developed countries when engaging in multilateral agreements (2008: 60). Multilateral agreements, such as MERCOSUR in Latin America, tend to benefit those with stronger economic ties and power; therefore, a more tailored agreement to the country's necessity is crucial for the expansion of political international power. Moreover, the benefits in the bilateral trade agreements are targeted to both countries' necessities and markets, instead of regional gains that might be on the agenda for multilateral agreements, where most markets are similar and competitive.

Countries also engage in bilateral agreements to enhance geopolitics power. Tussie (2009:183) explores trade as a political tool, suggesting its cooperativeness in the region and creating rules of competition in similar markets. By creating regional trade agreements, the

²⁰ Mo, J. (2016). South Korea's middle power diplomacy: A case of growing compatibility between regional and global roles. *International Journal*, 71(4), 587–607. <https://www.jstor.org/stable/26414059>

author argues that Latin America has been able to fight US expansion and influence in the region. Although Latin American markets are similar to each other, similarly seen in the East Asian region, regional agreements decrease their market competitiveness. In the case of South Korea and Chile, the Asian-Pacific region's markets complement each other, creating more cooperation and market development.

It can also be argued that the motivation for FTA renegotiation is to achieve international cohesion. Grossman (2016: 3) argues, using non-numerical equations and descriptive analysis, different case scenarios in which trade agreements are essential for citizens to create better living standards through trade. Harrison et al (2001: 24) theorize that additive regionalism strategy is a theoretical explanation for countries engaging in free trade agreements. Using Chile as the case study, the biggest finding in this article is that engaging in bilateral FTAs creates major regional market advancement. Lee (2007: 45) states that the reasoning behind the South Korea-US agreement was an American strategy to fight the Chinese economic expansion. Exploring different motivations for engaging in trade agreements; the author compares and contrasts these motivations with the case study.

Lastly, a more relevant trend for countries engaging in bilateral FTA and renegotiating is international political influence. Political prestige is one of the central factors why countries decide to join bilateral trade agreements with other nation-states, being able to gain international standing by trade. According to Thornton (2017), there are three main causes of conflict in foreign diplomacy, honor or prestige, fear, and interest. The lack of these three causes would eventually lead to an international conflict for countries. The author expands that prestige involves the perception other countries have of nation-states' worth or value (2017:1). Conforming this, for Chile and South Korea creating a sustainable trade partnership is crucial for

their international standing. Khong (2019) argues that prestigious nation-states in the international system allow for easy international transactions, and obtaining preferential outcomes in trade or common goals (2019:130). Meaning that good international standing allows for countries to gain security and other benefits related to it. Kim (2004) states that prestige is not only something countries try to assert but also is the recognition other countries have towards nation-states (2004: 42).

H-A: Chile's and South Korea's desires for international political influence led them to renegotiate their FTA.

5. RESEARCH DESIGN

To test these two hypotheses, I conduct archival research on government data and media sources, and semi-structured interviews to expand on the topic and evolve my thesis. These three different methods are especially useful to get a broader perspective on each country's standing on the current agreement and what they want to get from the new agreement.²¹

5.1. ARCHIVAL RESEARCH

The first method used is archival research on government data and media sources. Public meetings from the current bilateral FTA, as well as renegotiation meetings that have been public, were reviewed. Data was collected from government official pages, such as the Chilean government and the South Korean government, where most documents from the current agreement and the current negotiation meetings one can be found. Documents of the different rounds of renegotiation meetings held were reviewed, to better understand how the renegotiating treaty differs from the current. Specifically, the five meetings that have been held by both countries regarding the renegotiation of the trade agreement. Moreover, using these documents I am able to examine each country's motivation behind the renegotiation.

²¹ There are some limitations to the exploration of the topic due to multiple reasons: (1) data availability, (2) prior research on the topic, and (3) access to governmental documents. Chile and South Korea, having smaller economies and being less influential internationally, has led to being less researched, especially in such specific topics where both countries are being explored together. While the literature on this spectrum of the topic is limited, there is enough information to create theories and explore the current and renegotiated bilateral FTA between both countries. Furthermore, literature related to the Chile-South Korean motivations to renegotiate their bilateral FTA has been conducted in the form of report instead of analysis, which demonstrates that the topic has not been explored by scholars on the field. Lastly, the meetings regarding the renegotiation of the agreement between both countries have not ended, and the main provisions to the upgrading agreements are still being discussed and have not been passed by both governments legislative branch; therefore, the current literature and data on the renegotiation is limited to both countries' governments public record information about the topic. Access to information on the topic was limited to public records and previous analysis made by scholars.

Meetings the Ministry of Foreign Exchange has had with industries related to the field have also been analyzed in order to further understand the implications of the current agreement and the desires of the Chilean farming industry toward the new agreement. To further explore the topic and the different perspectives, mainstream media outlets were used. I use archival research methods in order to collect information from governmental agencies, thus also analyzing the official renegotiation meetings and news sources related to the topic. Most of the archives used in this research are Chilean Senate meetings from the early 2000s until now, that discuss the renegotiation, and articles about the renegotiation made public by the Subsecretaría de Relaciones Económicas Internacionales and the Chilean Ministry of Foreign Relations.

As for South Korea archives, they were mostly taken from the South Korea Ministry of Foreign Affairs and the Ministry of Trade, Industry, and Energy. Most of the archival documents taken from both countries' governmental offices were made public less than five years ago, with many released in the past two years. Some of the data used in the research were also taken from respectable news sources from both countries, where the discussion of the renegotiation of the bilateral free trade agreement was further explored and analyzed.

5.2. INTERVIEWS

Interviews were conducted in order to further explore the motivation behind the renegotiation of the treaty, the timing of the renegotiation, and what the renegotiation means for citizens and both governments. Snowball sampling was used in order to reach subjects, where a background questionnaire was conducted to limit gaps in the research. Semi-structured interviews were made with predetermined questions and follow-up ones related to the topic. Interviewed subjects were government officials from both countries, and/or related industries to the topic. Due to the

sensitivity of the renegotiation of the agreement and occupation of some subjects, identities were kept confidential during the research. All participants are mentioned as experts in the field through the research to maintain anonymity. Most of the subjects interviewed were to some extent involved in the current treaty between both countries, worked in NGOs related to the topic, or had an extensive background in the field. Finally, by using a grounded qualitative analysis method I identified and put together a framework for bilateral free trade agreements and the general motivations and implications of FTAs.

6. EMPIRICAL FINDINGS

Although the renegotiation of the bilateral free trade agreement between Chile and South Korea started in 2016, both countries decided to upgrade their treaty in the Spring of 2015. According to the Chilean Subsecretary of International Relations, both of the heads of government at that time concluded that there was a need for both markets to update their bilateral trade agreement in order to meet the international trade standards and climate (2022: 45). Since the signing of the treaty, both countries have expanded their economic market through bilateral trade agreements, thus their international power. More in-depth analysis allows for the division of two main motivations in regards to the data gathered, (1) market security, and (2) international political position. I demonstrate how the new international environment, particularly the competition between the United States and China, has influenced the motivations and policies of Chile and South Korea. Based on literature regarding bilateral free trade agreements, interviews, and government data, I demonstrate that the current protectionist policies and ideologies within developed nations, such as the United States and Europe, are the main factor driving smaller economies to reach for new trade agreements. I also compare this FTA to other bilateral or multilateral FTAs in Latin America, to compare and contrast Chilean-South Korean FTA created in 2004. Along with comparing the current South Korea-Chile FTA with the WTO objective, I also utilize these objectives to better understand what the new free trade agreement needs to become more modern and sustainable for both countries.

6.1 MARKET SECURITY

6.1.1. PROTECTIONISM

Beyond the political and economic advantage of the current bilateral FTA, there is also an important external motivation that needs to be highlighted to better understand the renegotiation of the treaty. Today, Chile and South Korea, although not dependent on foreign nation-states industries, the interconnectivity of international markets has allowed for the weaknesses of their own domestic ones. The renegotiation of KORUS during Trump's America First rhetoric, which focused on the enhancement of the American industries over foreign investment, led to the enactment of a treaty that harmed South Korean technological industries. Moreover, although Brexit was not considered a protectionist move in the international field, the idea of leaving the European Union to benefit British ideals is grounded on this theory.²² Furthermore, it can be argued that the moves of these countries towards putting their countries first have weakened free trade agreements in general. Both South Korea and Chile currently have trade agreements with the European Union, meaning that the exit of Britain from it caused an economic disadvantage for the English-speaking country. The protectionist trend, although not new to the international relations field, has recently become a trend within developed Western countries. Beyond Trump and Brexit, Italy and other Western European nations have made the move to put their country's domestic industries over international foreign investment, rejecting the globalization ideology that countries such as Chile and South Korea have built their markets from (2018: 8).²³ The idea of protectionism that has arisen in the international field has made it harder to renegotiate agreements in which both countries win. Therefore, it is not surprising that Chile and South

²² Ben-Ami, Daniel. "World Trade: Is Protectionism on the Rise?" IPE. IPE, September 1, 2021. <https://www.ipe.com/world-trade-is-protectionism-on-the-rise/10017403.article>.

²³ Walker, Garret. "Front Matter." *Harvard International Review* 39, no. 3 (2018). <https://www.jstor.org/stable/26617350>.

Korea renegotiation has taken over five years, and the fear of losing the comparative advantage this treaty generates.

Former President Trump's agenda of placing America first, elaborating that the current trade system created a major string to American products and industries, was one of the most detrimental projects for world trade in general.²⁴ It can be argued that the reason South Korea wanted to renegotiate their trade agreement with Chile was due to their renegotiated agreement with the United States. Under former President Trump's policy, the renegotiation of the agreement with South Korea was disadvantageous for the East Asian country. According to Lester et al (2019), some major changes to the KORUS were new procedures for South Korean customs inspection, steel exports restrictions, a change in the regulations and pricing of South Korean medicine exports, prolonging the duration of the United States 25 percent tariffs on imported pick-up trucks, and the U.S. exported cars under a new American emission regulation instead of the South Korean.²⁵ Renegotiating a more symmetrical agreement with Chile will allow South Korea to create their own terms that benefit them, instead of the current KORUS that affected their position in the United States.

On the other hand, the exit of the United Kingdom from the European Union also demonstrates the protectionist trend in the West and China, and the effects it causes on trade. By exiting the European Union both Chile and South Korea would have to engage in renegotiations with the British government in order to protect their markets and exported goods and services; therefore, it is inevitable to conclude that the renegotiation of the Chile-South Korea agreement

²⁴ Ben-Ami, Daniel. *World Trade: Is Protectionism on the Rise?* IPE. IPE, September 1, 2021. <https://www.ipe.com/world-trade-is-protectionism-on-the-rise/10017403.article>.

²⁵ Lester, Simon and Manak, Inu and Kim, Kyoung-hwa (June 13, 2019) *Trump's First Trade Deal: The Slightly Revised Korea-U.S. Free Trade Agreement*. Cato Institute Free Trade Bulletin, No. 73, <https://ssrn.com/abstract=3502409>

will take in consideration the current climate in order to maximize their exporting opportunities and expansion of their markets.

Nonetheless, it can also be concluded that the protectionism Western countries are following also is key for Chile and South Korea to change the stands in which countries less powerful than the Global North create treaties. If the United States, China, and Western Europe are looking for trade agreements that mainly benefit themselves instead of a trade that is more sustainable with the development of markets, countries that often were benefited from these trades and now their domestic industries are in danger, are less likely to further expand their relationship with these countries. Therefore, it can be deduced that Chile and South Korea's main motivation within the protectionist international environment to renegotiate their agreements is to be able to obtain that comparative advantage that they have lost from protectionist policies.

6.1.2. CHILE UNDER MARKET SECURITY

The protectionism trend in the developed West, for a country such as Chile that mainly exports raw materials and natural minerals for the production of industrial goods, directly affects their economic market. According to the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), Chile's engaging in any sort of free trade agreement would allow for its economy to grow and develop that otherwise would not happen. Nonetheless, due to this factor, when engaging in FTAs Chile would have to fight against the requirements of already developed countries. Furthermore, according to Economic Commission for Latin America and the Caribbean, engaging in FTAs or any sort of trade with the United States allows Chile to gain a sort of international perception, creating a domino effect in which other developed countries

will join into FTAs with Chile²⁶ The proliferation of protectionism throughout the West not only has impacted Chile indirectly but also directly affected their plans to further develop their markets.

The withdrawal of the United States from the Trans-Pacific Partnership (TPP) was a clear reflection of protectionism from a developed country from the West. With the exit of the United States from the treaty, the multilateral agreement lost a major economic market that would have benefited from smaller economies, such as the Chilean market.²⁷ It can be argued that the protectionist trend not only has impacted Chilean bilateral FTAs but also multilateral agreements from which the Southern country would have benefited. Having limited access to the United States market and other Western European markets, protectionist policies could allow Chile to easily trade with countries in East Asia, where the needs of Chilean goods are similar, but trade barriers are less disadvantageous. Moreover, as stated by experts on Chile and trade, Chile is considered by most of its trade partners as a secondary market. Their export products are not competitive with any of the developed economies around the world, having a market that mostly supports the development of these others.²⁸ Therefore, for Chile, the renegotiation of these agreements is not only essential to create more sustainable policies in their country but also needed for market development.

On the other hand, the latest report by the Chilean Ministry of Foreign Relations on the effects of trade partners highlighted the international tensions in the world that allude to other main motivating factors for the renegotiation of their bilateral trade agreements. According to the

²⁶ Gariazzo, A. (2004, February). Comisión Económica Para América Latina y El Caribe. Retrieved April 11, 2022, from https://www.cepal.org/sites/default/files/publication/files/4392/S0412983_es.pdf

²⁷ Anderson, S. (2021, October 04). Trump's exit from Asian Trade Pact Damaged America, boosted China. Retrieved April 11, 2022, from <https://www.forbes.com/sites/stuartanderson/2021/10/04/trumps-exit-from-asian-trade-pact-damaged-america-boosted-china/?sh=229f21c95e80>

²⁸ Expert on the Field #2, Zoom interview with the researcher, April 26th, 2022.

SUBREI, the United States and Chinese trade war that started in 2018 has played a major role in the development of trade for Chile and other countries. Moreover, the report highlights that the trade deficit situation was aggravated by the British exit of the European Union, and the regional issues on migration and politics (2022: 9).²⁹

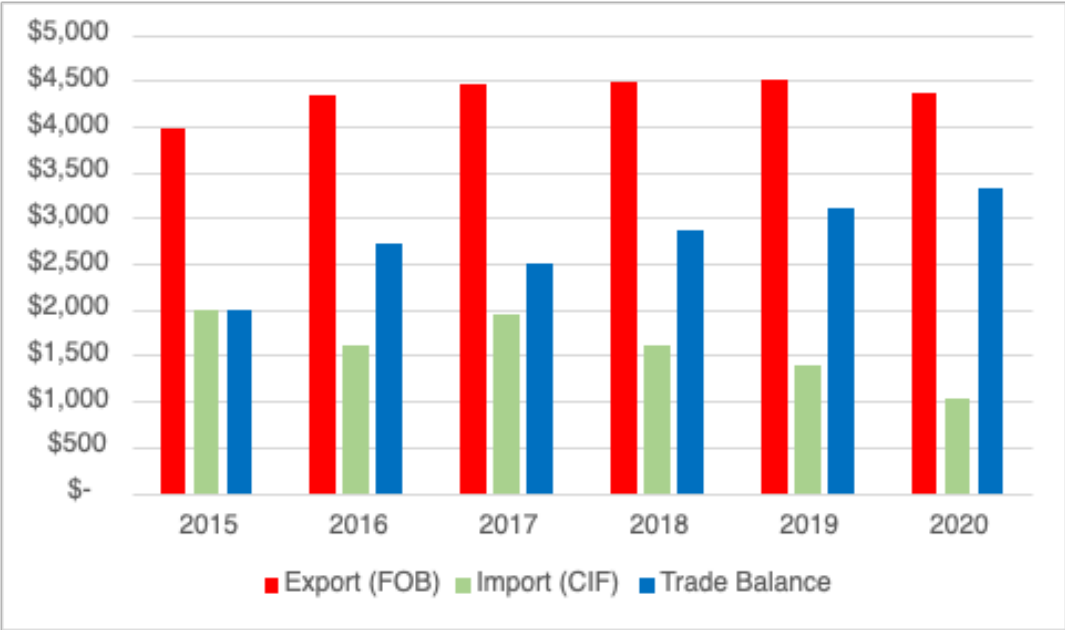
According to the Sub secretary of Economic International Relations (SUBREI) in their 2021 Treaty Evaluation, they stated that since the enactment of the treaty in 2004, Chilean exports to South Korea have increased an average of 4.2 percent annually, as shown in Figure 1. In 2004 the number of exported products to South Korea was 193, whereas in 2020 that number grew to 331, and the number of exporting Chilean industries grew from 354 to 576 from 2004 to 2020 (2022: 1). Although most of the imports from Chile to South Korea are agricultural and raw materials, it still highlights the importance the East Asian country has on Chilean goods and services exportation. Moreover, most of these products exported to South Korea are copper, lithium, and other natural minerals, which are key to the technological industry in East Asian countries. Today, South Korea is placed as the sixth largest trade partner for Chile with a 4.5 percent of bilateral trade, after China, the United States, the European Union, Japan, and Brazil. Being the sixth export destination of Chilean goods, with 5.5 percent of the total exports, and getting 3.5 percent of the imports, they are the fifth-largest supplier of goods in Chile according to data supplied by the Chilean Ministry of Foreign Relations.³⁰ The SUBREI states regarding the impact FTAs have on Chile, that the country follows an economic growth based on the exports of goods and services, which has generated the investment of foreign industry to the

²⁹ *Chile y Corea del Sur: Evaluación Tratado de Libre Comercio*, Chilean Ministry of Foreign Relations, Sub Secretary of International Economic Relations, (2022). https://www.subrei.gob.cl/docs/default-source/estudios-y-documentos/otros-documentos/corea_del_sur_2021.pdf?sfvrsn=47ed2a4e_1 (Accessed April 2022)

³⁰ *Chile y Corea del Sur: Evaluación Tratado de Libre Comercio*, Chilean Ministry of Foreign Relations, Sub Secretary of International Economic Relations, (2022). https://www.subrei.gob.cl/docs/default-source/estudios-y-documentos/otros-documentos/corea_del_sur_2021.pdf?sfvrsn=47ed2a4e_1 (Accessed April 2022)

country, as well as the exportation of Chilean companies to foreign nation-states (2022: 22). The creation of bilateral trade, not only with South Korea, is incredibly important to understand the economy of a country such as Chile, where the economy’s stability relies on international partnerships.

Figure 1: Trade Exchange Chile and South Korea US\$ Millions

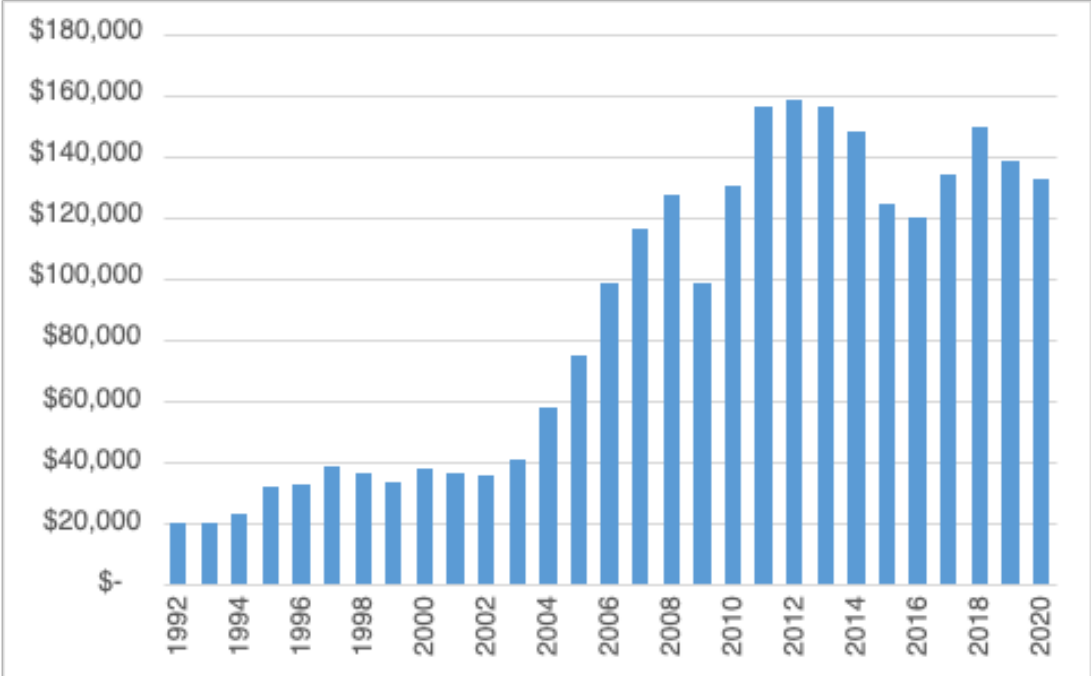


Source: SUBREI Ministry of Foreign Relations, *Chile y Corea del Sur: Evaluación Tratado de Libre Comercio* (2022).

Likewise, the SUBREI states that most of the Chilean exports and imports of the country have been made with nation-states Chile already has trade agreements with. As stated by the SUBREI, around 95 percent of the country’s exports and imports are from these countries. Moreover, as previously stated, in the late 1990s and early 2000s, Chile began engaging in diverse free trade agreements all over the world. As shown in Figure 2, since the early 2000s Chile’s total economic exchange was mostly with trade partners. From 1992 to 2002, the total

trade exchange was mainly done with trade partners, and by 2020 total exchange became almost equal to the exchange with trade partners. Meaning that the country’s main motivation to engage in trade is to be able to gain some advantage while exporting their goods and services. Thus, renegotiating their trade agreements is an economic strategy to expand and enhance their market productivity, and overall their economic development as a country with limited resources.

Figure 2: Chilean Trade Balance and Impact of Free Trade Agreements US\$ Millions



Source: SUBREI Ministry of Foreign Relations, *Impacto de los Tratados de Libre Comercio* (2022).

Moreover, the SUBREI report on the impact free trade has had on the country (Subsecretaría de Relaciones Económicas Internacionales, 2022), the Chilean government expands on the motivations that have led the country to upgrade their bilateral trade agreements with their partner countries. The country divides their free trade agreements into different types of generations depending on the years these were enacted. Most treaties being upgraded by the

government, are those the SUBREI calls “Tratados de Tercera Generación,” which are all the treaties enacted in Chile during the 1990s and early 2000s. In their report, the government describes these types of agreements as focused on the expansion of Chilean goods and services, and that they were in line with the regulations the World Trade Organization (WTO) had at that time. Furthermore, the SUBREI lists four major changes that would be upgraded in the renegotiation of their trade agreements, (1) the increase of goods and services exempt from trade barriers, (2) create more sustainable treaties in line with the United Nations standards, (3) incorporate new disciplines non-related to tariffs, and (4) increase existing disciplines or further develop disciplines briefly discussed in the treaty (2022: 23).³¹ The treaty between Chile and South Korea was signed in 2003 and enacted the following year, making this agreement part of the third-generation treaties. Additionally, Chile is not only renegotiating its trade agreements with South Korea, but also with the European Union, the European Free Trade Association, and India. The report expands that the creation of the trade blocs, such as the EU and MERCOSUR was an important reason the country felt pressured to start creating trade agreements that would allow them to expand their market and avoid economic isolation. According to the research report made by Leiteritz (2021), this upgrade in the trade was needed due to the non-tariff barriers both countries still have, the upgrade of regulations both countries have had, the growth of e-commerce, and areas the trade does not address (2021: 13) The proliferation of both economic markets, and the standards for more sustainable developments are not reflected on a treaty signed over a decade ago, which highlight the rapid advancement of economic markets and the effect the technology development has had.

³¹ The report additionally expands on effects FTAs have had in Chile, which limits the further exploration of motivation behind the renegotiation of bilateral trade agreements. While factors the government considers to renegotiate their “third generation treaties” are stated, these are not concrete motivations, but related to keeping treaties up to date to regulations the government currently has or has recently added.

Furthermore, the call of some of the Chilean government officials to update the tariff terms was based on the current trade agreement with the Doha Development Agenda (DDA). This trade agenda under the World Trade Organization stated that the lack of agricultural trade is caused by barriers in trade, high tariffs, domestic support, and exports subsidies; the idea behind the DDA was to place a blueprint for countries to cut high tariffs in agriculture, creating more cohesive and developed trade (Subsecretaría de Relaciones Económicas Internacionales, 2022).³² Using the Doha Development Agenda in order to expand the agricultural industry in Chile, thus making it a priority for the development of the country's market, is a move to create an agreement that creates development between both countries that is more cohesive, instead of competition between each other's goods and services.

Enacted in 2004, the South Korea and Chile bilateral trade agreement was signed under the international environment and goals both countries had at that time, which left an abundance of products, services, and ideas outside their treaty. According to the Chilean Sub Secretary of International Economic Relations, some of the main products that the current treaty leaves behind are apples, fresh pears, flour and rice, pellets, semolina, grains, groats, and some cereal and cacao related products. Nonetheless, the main products that the Chilean government is expecting to be able to take advantage of the new treaty, thus removing the tariffs are beef and poultry, dairy products, garlic, honey, strawberries, and others.³³ Although there have been meetings in which both countries have highlighted that the need of renegotiating their agreement has to do with having a more sustainable trade agreement, it is easy to conclude that one of the

³² The Doha Development Agenda expands on other terms and conditions about trade in diverse aspects, but for the purpose of this research, the DDA will be only analyzed and explained in regards to the development of agricultural exports and imports.

³³ Chile y Corea del Sur: Evaluación del Tratado de Libre Comercio. Subsecretaría de Relaciones Económicas Internacionales, Ministerio de Relaciones Exteriores, Gobierno de Chile (2022). https://www.subrei.gob.cl/docs/default-source/estudios-y-documentos/otros-documentos/corea_del_sur_2021.pdf?sfvrsn=47ed2a4e_1 (Accessed April 2022)

main Chilean motivations is the need to expand their exportation market, which is mainly based on agricultural products and industries.

6.1.3. SOUTH KOREA UNDER MARKET SECURITY

In contrast to the Chilean market, the South Korean market is competitive with most developed countries' markets. Moreover, the country's most protected industry is their agricultural one; nonetheless, their main exports do not come from the agricultural sector, but the technological and transportation sector. In fact, one of the main import products from South Korea to Chile was transportation, importing \$39.86 million dollars to Chile in 2020.³⁴ The recent renegotiation of KORUS, highlighted the disadvantage the East Asian country had when renegotiating their agreement. Lester et al (2019) states that one of the major updates to the KORUS was reflected in the restriction of South Korean exports to the United States as a plan to protect American industries. Some of these changes included a restriction to steel and the mobile industry exports from South Korea to the United States (2019: 2). The protectionist movement from the United States is not a unique case, but a trend that is directly affecting markets such as the South Korean, especially when China's competitive market is more accessible for developing countries. Nonetheless, according to experts on the field, before the pandemic South Korea also was displaying a protectionist attitude, which quickly changed after the pandemic hit, especially when the renegotiations with Chile started again.³⁵

³⁴ Chile y Corea del Sur: Evaluación del Tratado de Libre Comercio. Subsecretaría de Relaciones Económicas Internacionales, Ministerio de Relaciones Exteriores, Gobierno de Chile (2022). https://www.subrei.gob.cl/docs/default-source/estudios-y-documentos/otros-documentos/corea_del_sur_2021.pdf?sfvrsn=47ed2a4e_1 (Accessed April 2022)

³⁵ Expert on the Field #2, Zoom interview with the researcher, April 26th, 2022

Moreover, as a country that engages in middle power diplomacy, the protectionist trend in the developed West could be seen as an opportunity for countries such as South Korea to engage in bilateral and multilateral trade supports the development of international economies in less developed countries. According to Mo (2008), since 2008 South Korea has engaged in international development cooperation, adopting certain norms and standards (2008: 590). In relation to this, for South Korea engaging in trade also means following the standards the country has adopted, which is crucial for developing countries looking for more symmetrical trade partners. Renegotiating their treaty means setting an agreement that reflects their current sustainable standards, at the same time as gaining an economic advantage in a competitive market. Experts in the field related to sustainable trade state that a major component of renegotiating this treaty with Chile is that the Latin American country is adding three major chapters to its original treaty.³⁶ These chapters related to sustainability will be the first ones in a treaty for South Korea, adding gender, labor, and sustainable development.

South Korea's bilateral trade agreements grew significantly after 2004, currently having signed four bilateral trade agreements and treaties with their five major economic partners.³⁷ The enactment of the Chilean-South Korean treaty not only allowed for both countries' markets to reach new regions but also enhanced their international political power. According to the Observatory Latin America Asian Pacific, since the agreement's enactment in 2004, bilateral trade between both countries has increased 3.4 times before the agreement, and the South Korean investment increased to about 34 times in Chile. Today, South Korea invests \$198 million dollars

³⁶ Expert on the Field #1, Zoom interview with the researcher, April 21st, 2022

³⁷ Rosenbaum, Chika Yamamoto, and Jonathan Kriekhaus. "What Explains South Korean Interest in FTA Partners?: An Empirical Analysis." *Asian Survey* 56, no. 5 (2016): 982–1004.

in Chile, and likewise, Chile invests 19 million dollars in South Korea.³⁸ Moreover, according to the Republic of Korea Ministry of Foreign Affairs, before the treaty was enacted, around 66 percent of the South Korean exports to Chile, related to the automobile industry, had to pay a tariff (2002). Therefore, the enactment of the treaty allowed for domestic industry to expand their international influence, by exporting their goods and services at a cheaper rate. Furthermore, a country like South Korea with no prior bilateral trade agreement meant that for the first time their industry had a space to develop. According to the Ministry of Foreign Affairs of the Republic of South Korea, Chilean exports grew 36.9 percent in 2004 to 96 percent by 2007. Likewise, Chilean imports to the region increased 82.8 percent in 2004 from 2003, the previous year before the enactment of the treaty. By 2007, the percentage increment fell to 13.2 percent.³⁹

For South Korea, Chile is mainly a secondary market that does not have a major influence on its economic decisions. Nonetheless, experts with a background in trade between Chile and the East Asian country, highlight that for South Korea renegotiating their current trade agreement with Chile means being able to join other multilateral trade groups Chile is already part of, such as the Pacific Alliance and the TPP-11. The exit of the United States from the former TPP following a more protectionist agenda, also allowed for South Korea and other similar economies to have a more active role in the international trade field, expanding their economic market.⁴⁰

Economically, the relationship between South Korea and Chile is complementary. Whereas South Korea's market is centered on the development of new technologies, such as the

³⁸ Subsecretaría de Relaciones Económicas Internacional. Report of Macroeconomic Indicator of South Korea and Chile. Ministerio de Relaciones Exteriores. https://www.subrei.gob.cl/docs/default-source/estudios-y-documentos/fichas/corea-del-sur-anual.pdf?sfvrsn=81b3cb09_1 (Accessed April 2022).

³⁹ South Korea Ministry of Foreign Exchange. (2007). Korea-Chile Trade Relations. https://www.mofa.go.kr/eng/brd/m_5661/view.do?seq=304647 (Accessed April 2022)

⁴⁰ Expert on the Field #2, Zoom interview with the researcher, April 26th, 2022

automobile industry, Chile's market is built upon raw materials and natural resources. Moreover, the Ministry of Foreign Affairs of South Korea reported that Chilean exports in 2020 were \$0.86 billion dollars and \$3.5 billion in imports.⁴¹ According to the SUBREI report on the Chilean-South Korean bilateral free trade agreement, in 2020 Chile was the main provider of these goods to South Korea. Further, the main South Korean import to Chile were tourists' automobiles, importing 7.4 percent of all automobile imports (2022: 1). Although Chile was not the main importer of South Korean goods, the country is crucial for the development of the South Korean economy and market, since these minerals are used for the manufacturing of automobiles in South Korea. Additionally, as reported by the World Trade Organization, Chile and South Korea through trade reach most of the biggest markets and international GDP, reaching 61 and 50 percent respectively of the world GDP (2022: 37). Both countries have access to diverse economies throughout the world due to the trade partners they have engaged in agreements that allow them to grow and develop their economic markets. The South Korean-Chilean bilateral free trade agreement is unquestionably one of the most important treaties both countries have, due to being the first trade agreement that unites the Asian-Pacific region. As the data shows, the proliferation of the trade has allowed both countries to gain regional partners and market value. For South Korea, the import of Chilean lithium is extremely important for their technological development, where their automobile industry uses the mineral as the main component for their manufacturing. In fact, as reported by the Chilean Ministry of Foreign Relations, in 2020 Chile was the main supplier of copper minerals and lithium to South Korea (2022: 1).

However, regarding the renegotiation of the treaty, South Korean news sources' main preoccupation with their country's industries is that Chile enacted a trade agreement with Japan

⁴¹ Chile, Latin American and the Caribbean, Countries and Regions. South Korean Ministry of Foreign Affairs. https://www.mofa.go.kr/eng/nation/m_4902/view.do?seq=48

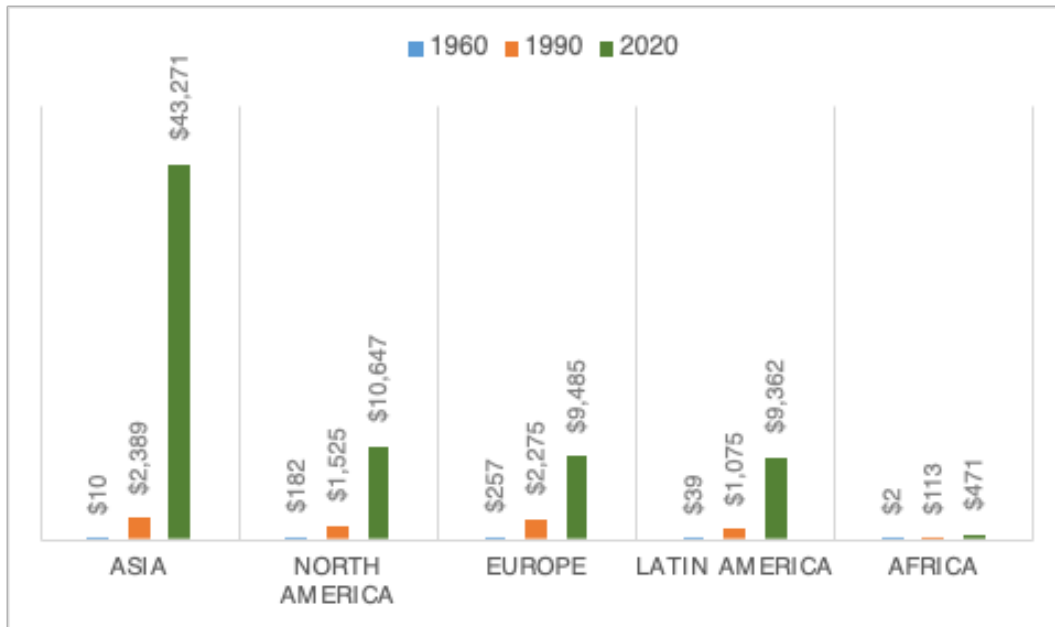
(2006) and China (2007), in which both countries have similar industries that are competitive to the South Korean market.⁴² Rosenbaum et al (2016) state that the strategic element of creating trade agreements is for trade diversification, which pressured countries to engage into FTAs as their regional neighbors does (2016: 992). Trade diversification is a great factor for the South Korean preoccupation, having neighboring economic markets that are as stable and strong as the Chinese and Japanese industries. These strong and developed markets create pressure for South Korea to leave behind their agricultural protectionism in order to engage and enhance their own technological market, especially with Chile, whose main trade products are raw materials and natural minerals. Moreover, the authors argue that due to this phenomenon, South Korea looks into the FTA movements China and Japan engage in to attempt to engage with the other East Asian countries' trade partners (2016: 993). This can be reflected in the SUBREI report on trade agreements, where it is stated that since the enactment of the China-Chile bilateral FTA allowed for the Chilean non-copper goods to annually increase an average of 16 percent. Likewise, since the enactment of the South Korean-Chilean bilateral FTA, the Chilean non-copper goods have annually increased around 4 percent, reaching a sale of 1.3 million dollars in 2020. Regarding the renegotiation of the South Korea-Chile bilateral free trade agreement, a reason that would have made South Korea join these meetings was the fact that Chile had already renegotiated their bilateral free trade agreement with China in 2019.⁴³ Likewise, since the enactment of the South Korea-Chile bilateral free trade agreement, Chilean exports towards the Asian region have grown

⁴² Kim, Jong-il. “한·칠레 FTA 발효 12년 만에 개선협상 돌입...1호 FTA 재협상 전략은?” 조선비즈. Chosun Biz, November 19, 2016. https://biz.chosun.com/site/data/html_dir/2016/11/19/2016111900708.html.

⁴³ Subsecretaría de Relaciones Económicas Internacionales. Chile-China, Acuerdo de Libre Comercio. Ministerio de Relaciones Exteriores. <https://www.subrei.gob.cl/acuerdos-comerciales/acuerdos-comerciales-vigentes/china> (Accessed April 2022)

over twenty times, from the 1990s to the 2000s, indicating a bridgehead effect on the South Korean-Chilean FTA, as demonstrated in Figure 3.

Figure 3: Exports Evolution by Geographical Area US\$ Millions



Source: SUBREI Ministry of Foreign Relations, *Impacto de los Tratados de Libre Comercio* (2022).

Nonetheless, there is resistance from South Korea to expanding their bilateral free trade agreement. As previously mentioned, the South Korean exportation to Chile is mainly based on the exports of the automobile industry, which is loosely aided by the importation of raw materials, such as lithium and copper. However, some of the agricultural products exchanged in the treaty directly affect the agricultural industry in South Korea. The South Korean Parliamentary Newspaper, analyzed the effect that might have on the opening of the bilateral free trade agreement with Chile, expanding the country's agricultural imports such as apples and tangerines. This would be extremely prejudicial for South Korea's agricultural industry, due to the protectionism strategy the country historically has held during most of their treaty

negotiations.⁴⁴ Even though the South Korean international market is not competitive to the Chilean, the country's protectionism strategy to prioritize their agricultural industry does create a conflict of interest with the approach Chile is taking in the renegotiation of their treaty. Scholars highlight the big rejection from South Korean farmers towards the negotiation of the current agreement, and the difficulties South Korea had in order to meet these expectations but also gain from a trade agreement with Chile.⁴⁵ This is extremely important when taking into account that most of the Chilean goods being exported to South Korea, besides lithium and copper, are agricultural goods, such as blueberries and other types of agricultural products.

Economic gains are usually the main reason countries decide to renegotiate their agreements. Bilateral FTAs are specifically made for countries involved in it to have an outstanding benefit from it when it comes to trade. Nonetheless, the economic benefits of trade between Chile and South Korea have a regional approach. For both countries reaching each other's region is crucial for the development of their domestic industries due to the kind of markets both of them have. Experts in the field of trade between Chile and South Korea suggest that one of the main reasons for South Korean interest in Chile and vice versa is to be able to protect their market. This is reflected in two different ways in Chile and South Korea's economics, (1) joining multilateral agreements for South Korea, and (2) cutting tariffs imposed by the first agreement.⁴⁶

According to experts in international trade, South Korea's strategy to protect and develop their market is by joining different multilateral agreements with some of their trade partners, such as Chile. In this sense having a trade partnership with Chile has also allowed South Korea

⁴⁴ 김대경. “손금주 의원, ‘한·칠레 FTA 재협상 시 농산물 추가개방 안 된다’” 의회신문, November 3, 2016. <http://www.icouncil.kr/news/articleView.html?idxno=36799>.

⁴⁵ Expert on the Field #1, Zoom interview with the researcher, April 21st, 2022

⁴⁶ Expert on the Field #3, Zoom interview with the researcher, April 21st, 2022

to be able to be considered a considerable partner for the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11) and to join the Alliance of the Pacific, which both are multilateral agreements Chile has been extensively involved in.⁴⁷ As for Chile, the strategy used to protect their market and expand it through this renegotiation of the agreement, is to lower some agricultural tariffs that South Korea still holds. Reflected in the report made by the Chilean Ministry of Foreign Relation regarding the trade agreement between both countries, the Chilean government is seeking to add some agricultural products to the tariff free list, such as poultry and beef, honey, dairy products, garlic, and other.⁴⁸ Adding these products to the tariff free list of products into their agreement will not only secure their agricultural market, but also allow for these products to be able to expand within the region as the bridgehead theory supports.

On the other hand, another motivation to renegotiate the treaty can be seen in both countries. Chile as South Korea in the recent years have become more and more involved in the sustainable development of their countries, thus the decisions made in regards to trade partners and other domestic and foreign policies. Kim (2020) argues that much of the renegotiating treaty teams of the South Korean government have made this topic an important factor to renegotiate their agreements (Kim, 136). This implies a political agenda that is not only sustainable for their domestic policies, but also the political foreign agenda to the future. Moreover, experts on the Chilean-South Korean bilateral FTA renegotiation highlight the additional chapters added to the renegotiation meetings, such as the gender, labor, and environmental. For Chile adding these

⁴⁷ Expert on the Field #2, Zoom interview with the researcher, April 26th, 2022

⁴⁸ *Profundización Tratado de Libre Comercio Chile-Corea del Sur*, Cuarto Adjunto, Subsecretaría de Relaciones Económicas Internacionales, Ministerio de Relaciones Exteriores, Gobierno de Chile (2022) <https://www.subrei.gob.cl/acuerdos-comerciales/acuerdos-en-negociacion-y-suscritos/profundizacion-tratado-de-libre-comercio-chile-corea-del-sur> (Accessed March 2022)

chapters not only was necessary, but also aligned to their domestic policies.⁴⁹ Adding a sustainability indicator to their treaty renegotiation also highlights the kind of international relations these countries are engaging and feel important to have for their treaty.

The major motivations analyzed are important to not only to understand the critical role Chile and South Korea treaty have in relation to the Asian Pacific relations and its expansion, but also how the international climate plays a role in the creation of international agreements. Although South Korea has a major world economy and is highly perceived across the world, its market is similar and competitive with its neighboring East Asian countries, highlighting that their interest and the main motivation behind engaging in bilateral trade agreements are for the advantage of their own market in a very competitive region of the world. Moreover, in a country such as Chile, in which its economy completely depends on its trade partnership, securing an agreement that expands the exporting of agricultural goods could create a major change in the country's GDP and overall development.

Since the enactment of the 2004 trade agreement, both Chile and South Korea have been able to establish trade partnerships with different nation-states in each other's region, reflected in the enactment and finalization of the renegotiated China-Chile bilateral free trade agreement. Lee et al (2017) describe a bridgehead free trade agreement as a trade partnership between two countries that serve as the foundation for the expansion of their exports toward neighboring countries in the region (2017: 477). The Chilean Border Customs bureau reports that after the South Korean bilateral free trade agreement enactment, the country signed multiple other bilateral trade agreements, such as the China-Chile bilateral free trade agreement, signed in 2005

⁴⁹ Expert on the Field #1, Zoom interview with the researcher, April 21st, 2022

and renegotiated in 2019.⁵⁰ Likewise, the South Korean Ministry of Trade, Industry, and Energy reports that since the enactment of the 2004 treaty, South Korea has been able to successfully negotiate and enact bilateral free trade agreements with Peru (2011) and Colombia (2015).⁵¹ As explained by Lee et al, the bridgehead effect is imminent in this case and a major motivation for both countries to renegotiate their trade agreements. A more comprehensive trade agreement would also allow them to replace themselves within East Asia and Latin American region, and further expand their relations with different nation-states in these regions.

Relating to H1, it can be concluded that the economic dimension of the renegotiation of the agreement is the most important motivation both countries have. This is due to the security of their markets in each of their regions is crucial for gaining a comparative advantage in their own region to further develop their markets and economies.

6.2 ALTERNATIVE HYPOTHESIS: INTERNATIONAL POLITICAL POSITION

6.2.1. POLITICAL MOTIVATIONS FOR CHILE

While engaging in trade agreements for Chile the motivations are more economic than political. Their market development still is highly dependent on the foreign industry since their main exports are agricultural and natural materials. Nonetheless, there is an important political factor for Chile, which can be directly related to their geopolitical position in Latin America, which is the international prestige in the world. According to experts in the field, for Chile the biggest benefit of engaging in international trade, especially with economies such as South Korea, is the

⁵⁰ Chile Aduanas Customs. Tratados y Acuerdos de Libre Comercio. <https://www.aduana.cl/tratados-y-acuerdos-de-libre-comercio/aduana/2007-02-28/122217.html> (Accessed April 2022)

⁵¹ South Korea Ministry of Trade, Industry and Energy. Korea's FTA Network. <http://english.motie.go.kr/en/if/ftanetwork/ftanetwork.jsp> (Accessed April 2022).

international prestige it brings into the country.⁵² Moreover, since the East Asian economies are more protected, as seen in the rejection to renegotiate this treaty by the agricultural sector in South Korea.⁵³ Being able to have a treaty with the three biggest economies in the East Asian region allows Chile to get an international prestige and leverage that other countries in Latin America do not have. Khong (2019) states that prestige for countries is directly linked to influencing other nation-states. In her finding, the author argues that there are four types of influence; cultural, defense network, diplomatic, and economic relationships. The author finalized this idea by stating that countries that are able to use these four influences internationally are able to create their resources into political outcomes (2019: 128). For Chile this is especially relevant since their geographic location limits the government to further expand their international influence, thus engaging in trade with developed countries gives them a leverage within their region.

Furthermore, Tussie (2009) argues that trade partnerships, bringing especial attention to multi regional agreements, are considered by high officials in Latin American governments a tool for strategic alliances, crucial to the political history of the region (2009: 175). Therefore, it can be argued that for Chile engaging in diverse trade agreements, especially with developed economies, more than economic strategy is also a political strategy to gain some international prestige, by showing integration into international markets. Moreover, joining agreements with countries that have a similar domestic agenda and common international goals, promotes an international image of cooperation, which brings more international partnership.

⁵² Expert on the Field #1, Zoom interview with the researcher, April 21st, 2022

⁵³ 김대경. “손금주 의원, ‘한·칠레 FTA 재협상 시 농산물 추가개방 안 된다.’” 의회신문, November 3, 2016. <http://www.icouncil.kr/news/articleView.html?idxno=36799>.

6.2.2. POLITICAL MOTIVATIONS FOR SOUTH KOREA

While South Korea in contrast to Chile is internationally considered a stronger economy and government, due to their geographic location the country uses trade relations as a tool to advance their international position and influence. Experts on the field highlight that one of the main reasons for South Korea deciding to renegotiate their bilateral FTA with Chile was due to their sustainable development agenda.⁵⁴ Although more of an economic factor when it comes to the effects on the treaty in each country, it can be argued that adding chapters on labor, gender and environment to their renegotiated treaty is also a strategy to enhance their international prestige and image. Khong (2019) citing Robert Gliplin states that while power relates to military and economic capabilities a country has, prestige is related to the perception other countries have towards a nation-state associated with a state's capacity and willingness to exercise its power (2019: 129). In this case, it can be concluded that South Korea's prestige is directly related to the economies and military powers of their neighboring states, which engaging in trade agreements that enhance this image is crucial for their domestic and foreign policy.

Similarly to prestige and international image, South Korea is considered a country that engages in middle power, and some scholars have argued that a big factor of it is its international prestige. Mo (2016) cites Garth Evans by stating that middle power is all about being and being seen as a good international citizen by also pursuing national interest (2016: 588). This means that engaging in middle power is not only about international cooperation but also a nation-state's perception. South Korea's practice of middle power is directly related to its geographical position in the region, and the neighboring hard powers it faces, thus creating an international prestige is crucial for international support in international common goals. Laidi (2008) argues

⁵⁴ Expert on the Field #1, Zoom interview with the researcher, April 21st, 2022

that for the last couple of years, trade relations have become less about market expansion and more political (2008: 61). Meaning that each country's agenda is less about market security, that the effects of trade relations are seen in each country's domestic policies and the political gains of this trade partnership. Therefore, it can be concluded that choosing which country is the best trade partner is crucial for nation-states' international prestige and power.

In relation to the Alternative Hypothesis, while the political dimension is important to understand the motivations behind the renegotiation of their agreement, it is not the main motivation why both countries have engaged in the renegotiation of their agreement. Furthermore, it can be concluded that the economic dimension of market security is much more relevant to the enactment of the new agreement than the political dimension. Nonetheless, it is important to highlight that the political dimension is crucial in this agreement because out of all of the countries in each other's regions, South Korea and Chile understood that the best strategy to get the preferred outcome of a bilateral FTA was by choosing each other, where it can be argued that both countries share similar ideals. However, there is not enough evidence to prove this hypothesis.

7. CONCLUSION

The South Korean and Chilean bilateral trade agreement as demonstrated by the data has been crucial for the development of both region's domestic industries. Moreover, it has allowed the growth of market growth in each country's region, thus facilitating the diversification of their trade. For both countries the enactment of their bilateral free trade agreement was crucial for the development of their market and changed the outcome of their economies for the last decade. South Korea's technological growth has allowed them to be considered one of the biggest economies of the world, an industry that has been directly benefited from the treaty with Chile. Likewise, at the end of the 1990s and early 2000s, Chile understood the importance of the opening of their market in order to maintain status in the international market, as an economy that its main source of income is from the foreign investment and the exportation of its natural resource goods and services.

Bridging the Asian-Pacific for the first time, the Chile and South Korea bilateral FTA was unique for both countries in distinctive ways. Therefore, it is not surprising that the renegotiation of their current agreement follows that historical pattern. Although free trade agreements tend to be often renegotiated to extend market gains, the South Korea-Chile renegotiation has been centered towards creating more sustainable trade, adding chapters on labor, gender and sustainable development. Moreover, the protectionist trend seen in the developed West has enhanced the creation of trade agreements between middle power countries that are more sustainable, since there is no pressure from a treaty where the main focus is comparative advantage.

Although bilateral FTAs tend to be renegotiated within a time frame after enactment, multiple domestic issues within both countries prompted both governments to renegotiate one of

their oldest treaties. The rapid economic development of both countries during the early 2000s allowed for the negotiation of the current trade, for Chile and South Korea the negotiation of their agreement in 2004 not only meant to expand their economic market and domestic industries but also being able to reach each country region for the first time. The renegotiation of the current agreement also highlights the geopolitical and economic gains both countries have had since the enactment of the current trade agreement, which is not surprising that both Chile and South Korea have been trying to join regional trade agreements while renegotiating the current agreement.

Nonetheless, the prolongation of the renegotiation of the current agreement is a reflection of multiple domestic and international events that have affected a fast agreement between both countries. The negotiations unexpectedly halted during the pandemic, creating a two-year gap in meetings. Moreover, adding sustainability chapters to the agreement has been extremely important for both countries; nonetheless, it is relatively new territory for South Korea. Furthermore, although this treaty has been crucial for both countries and the Asian-Pacific region, both countries are secondary markets; thus renegotiating agreements with more developed and stronger economies has been on the top of the agenda for both parties. Therefore, due to the current government change in both regions, it can be concluded that negotiations could expand for two more years, highlighting the type of relationship between the two countries.

A final major implication of this research is that it is clear to conclude that there is a trend of creating alliances in more symmetrical relationships. As perceived with the KORUS renegotiation, although South Korea has a strong and very developed economy, the United States still creates limitations to the South Korean market and industry expansion. The current climate of protectionism instead of being seen as a negative factor for countries such as Chile and South

Korea is positively affecting them. Emerging economies such as these two countries could benefit from creating relations with countries in which both are equal partners and seek more cohesive economic development, than a relationship with countries such as the United States that is more interested in the development of their own market. Moreover, more and more South Korea and Chile are becoming stronger active international powers that are willing to attach and develop more sustainable solutions and trade, which makes them more reachable to less developed countries.

Scholars have argued that some domestic policies and ideologies have been one of the main reasons why this agreement has been prolonged for this long. The South Korean agricultural sector opposes the Chilean agenda on expanding non-tariff agricultural products, while the industrial side of the country to some extent needs Chilean raw materials to develop. However, as demonstrated by archives and interviews, the main reason for the renegotiation prolonging this far is more about a mirroring effect to the current treaty. South Korea will be adding for the first time to a trade agreement sustainable development chapters that would create and enhance their international image. As far as Chile, South Korea is not one of their main markets, although important to their domestic industry, not as relevant as the United States or China, therefore, the motivations to renegotiate are not pressing enough to push for the treaty renegotiation to be more expeditious. Data demonstrates that even though domestic issues are relevant as motivations to renegotiate, foreign policies internationally, especially in the developed West affecting their market security, are more pressing.

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