

MA International Studies Example Thesis Proposal

Draft or Tentative Title:

Why Renegotiation? Renewal of the South Korea-Chile Bilateral Free Trade Agreement

Hypothesis to be tested or research question to be addressed:

The necessity for the proliferation of the Chilean and South Korean market during the early 2000s, led to the creation of the first Asian-Pacific trade agreement in the region. The current free trade agreement (FTA) put in place in 2004 between these two countries, was innovative for both parties involved, being the first bilateral agreement for South Korea, and bridging Latin America to Asia for the first time. During the late 1990s, the Chilean government set out on a pursuit of bilateral free trade agreements, leading to the enactment of multiple FTAs all over the world and allowing the government to explore other markets on their own terms. Currently, South Korea sits as the fifth largest import partner for Chile, increasing South Korea exports to the country at around three percent annually, growing exponentially after 2004. Furthermore, it allowed Chile to reach other economic markets in the East Asian region, such as the Chile-China bilateral free trade agreement enacted in 2005. While the current FTA between these countries has been successful for both markets, the socio-economic progress in both regions and the current international climate has driven the Chilean and South Korean governments to modernize their agreement. Which is why the thesis questions that will be addressed throughout the research will be, what are the motivations behind the renegotiation of the Chile-South Korea bilateral free trade agreement? and, why did both countries decide to renegotiate fourteen years after the enactment of their current bilateral FTA?

This project examines the motivations behind the renegotiation of the trade agreements between both countries, discussing domestic and international issues that might have aided to create a new agreement, thus also highlighting what both countries have lost and won under the current trade. Using content and data analysis methods, diverse literature will be assessed to further explore motivations behind trade agreements and the key role they play in diplomacy. Moreover, due to the lack of literature related to the renegotiation on this case study, interviews

played a big role in the development of the research. I argue that the growth of both countries' economies and the current international climate between the United States and China, has opened the door towards the modernization of the current South Korean and Chilean FTA. Enhancing the relation between both countries, therefore also putting an example of the importance for developing countries bilateral free trade agreements. The growth of Korean made technology has increased the attention to other Latin American countries that perceive the Korean market as a possibility to more accessible goods and services than otherwise tariff make it more expensive to assert. Still, the renegotiation of the South Korean-Chilean FTA also implicates the reevaluation of each country's morals and values that reflects on the free trade agreement. In recent years, both South Korea and Chile have been more involved in achieving the different United Nations' agenda, which plays a big role in the renegotiation of the agreement, by setting important goals that both nation-states desire to accomplish. Although free trade agreements often remain the same throughout time, and economic factors usually lead to the renegotiation of these types of agreement, the development of the government and society in general can become a factor for renegotiation. In this case, both countries' governments have become stronger through economic growth, allowing them to become more powerful in their respective regions, thus their societal ideologies also develop with it.

Background and rationale of the study:

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. Being South Korea's first bilateral agreement, negotiations took longer than the norm, starting in September of 1990. For both nation-states, the significance of this free trade agreement meant the expansion of their markets and their diplomatic relations. The bilateral characteristic of it 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 towards expanding their relations with East Asia. Nonetheless, both countries have been involved in renegotiating their current trade agreement, in hopes of modernizing to both governments' standards and expanding their economic and diplomatic relations. In recent years, both South Korea and Chile have taken middle power diplomacy, which reflects on the creation of diverse agreements to enhance international relations.

Although negotiations towards the current bilateral trade agreement between both countries were prolonged, the establishment of the treaty created key provisions for the developing of the market for both countries and their diplomatic relations. 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. For most part the agreement details the trade relation between both countries, such as the exports and imports taxes and barriers, to conclude with final provisions for the expansion of the current agreement, by amending it. Furthermore, the 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. For both countries, opening these markets to each other's region was crucial for the development of their economies. However, the already developed farming market within South Korea sparked debate between farming groups, who saw this agreement as prejudicial to Korean agriculture goods.

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 1990s and early 2000s, Chile set out on 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 is the first one to create agreements with more developed markets, thus bridging the region around the world. Therefore, the country has been able to create political relationships through FTAs. On the other hand, since the late 1980s South Korea and countries in the East Asian region 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 their market outside the Asian region. Furthermore, this expansion allowed them to develop their market and Korean-made technology around the world.

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

towards 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 have expanded each year since the beginning of the treaty, with the main diversification in 2009 and seeing the biggest diversification in the last few years.

Although there is not enough literature regarding the renegotiation process between South Korea and Chile, both countries have a background in renegotiating some of their treaties. Both countries 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.

Significance of the research:

The paper explores the different motivations behind the renegotiation of the bilateral free trade agreement (FTA) between Chile and South Korea. Existing studies have focused on the motivations and effectiveness/outcomes of the creation of bilateral FTA. Although few studies examined the impact of asymmetrical relationships between countries on the two states' motivations of renegotiation, they still lack development on the actual motivations behind the Chile-South Korea renegotiations, mentioning only the diversification of their exports and expansion of their culture in each other's region. By analyzing official government documents and conducting interviews, I argue economic, diplomatic and/or social motivations, such as the expansion of their political power in the international arena, and that the current international climate is a driving factor to diplomatic relations between developing countries. Therefore, the motivations for the renegotiation of the South Korea-Chile FTA, although diverse, create a pattern within countries' symmetrical relationships, in which engaging into trade agreements opens up diplomatic relations, thus also benefiting from trade. This research contributes to the literature of FTA renegotiation and middle power diplomacy by exploring motivations and current international power conflict impact in developed and developing countries, such as Chile and South Korea. This analysis is done within the context of international protectionism

in the developed West, and the expansion of middle power diplomacy by both countries.

Methodology

I plan to collect data from government official pages, such as the Chilean government and the South Korean government, where most documents from the current agreement and the negotiated one can be found. Such as documents of most of the meetings held in regards to the renegotiation, to better understand how the renegotiated treaty differs from the current. Moreover, using these documents I will be able to examine each country's motivation behind the renegotiation. Second, using existing literature I plan to find data about motivation in regards to how this agreement benefited both countries in an economic standpoint. I plan to expand on current literature that discusses the motivation of creating bilateral free trade agreements and motivations behind renegotiating a bilateral agreement. In order to do so, I will expand on theories already developed, such as the bridgehead theory. Finally, using data collected from interviews I will further expand on the timing of the renegotiation and the motivations behind it. I expect to conduct interviews with government officials related to the renegotiations, and also any distinctive group that might be affected by the renegotiation of this agreement, such as farmers and technology developers.

I intend to 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 intend to demonstrate that the current isolationist laws and ideologies within developed nations, such as the United States and Europe, are a main factor driving smaller economies to reach for new trade agreements. I also plan to compare this FTA to other bilateral or multilateral FDAs in Latin America, how does it differ from the Chilean FTA created in 2004. Along with comparing the current South Korea-Chile FTA with the WTO objective, I also plan to utilize these objectives to better understand what the new free trade agreement needs to become more modern and sustainable for both countries.

I will use three different types of methods in order to conduct my research. Due to a lack of literature on the renegotiation of the bilateral free trade agreement between both countries, I plan to use archival research and interviews. On the other hand, in order to create a better framework in regards to motivation to engage in bilateral FTAs and renegotiation, I plan to use a

non-structured qualitative analysis method. I will use archival research methods in order to collect information from governmental agencies to better understand the main provisions of the current agreement, thus also analyzing the official renegotiation meetings to further expand on the changes the new treaty might have. Interviews will be conducted in order to further explore the motivation behind the renegotiation of the treaty, the timing of the renegotiation, and what does the renegotiation mean for citizens and both governments. Finally, by using a non-structured qualitative analysis method I plan to identify and put together a framework on bilateral free trade agreements and the general motivations and implications of FTAs. While using this method I also plan to go in depth on already existing literature in regards the current bilateral FTA Chile and South Korea, to better understand what the new trade would differ from the first one.

Annotated bibliography:

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 a FTA between Chile and South Korea. These scholars argue that the FTA is beneficial due to their bridgehead effect, meaning that both countries use this trade to get into each other's regional market. For example, Kang et al. (2016: 9) argues that the FTA has allowed both countries to expand their markets, but especially for 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 to Korea, thus also opening their exports to the Latin American market. Its 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) explained how the bridgehead effect works in asymmetrical trade relationships by having an export growth developing countries—Chile in this context— and an import developed country such as South Korea, demonstrating this using statistical analysis. In other words, South Korea's economy benefited greatly from the treaty by expanding their markets to regions that were hard to access before the treaty. Nonetheless, the authors argue that South Korea's rate exports to other Latin American countries have 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 imports are crucial for market development (2021: 74).

Second, a few scholars have examined the motivations of FTA between Chile and South Korea. Some have focused on South Korea's motivation to expand its economic market. The proliferation 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 into 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 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 their international economic strategy (2007: 259). In another instance, Kim (2003) argues that the main reasons East Asian countries, specially 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 into 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 Chile's motivation, although rooted in their expansion of their market, is also based on the need of more developed markets for the development of their own. For instance, Wehner (2009) emphasized that the reason behind Chile engaging 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, Tarr 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.

There has been very 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 on the motivations and how would the new agreement differ from the current. The main limitation on this article is that the author only lists the presumed motivations for the updated treaty without generally expanding, thus no major exploration on the topic can be found in the article.

In particular, the current literature in regards to the renegotiation of bilateral free trade agreements between countries, although limited, focus on either powerful countries' interests to maximize and prioritize their markets or the success of their first one and expanding the current agreement. For example, Crowley et al (2018) argues that powerful states' interest to renegotiate is due to the fear of trade negotiation breaking down causing the increase of tariffs beyond 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 case study, argues that the successfulness of the KORUS trade agreement has allowed for 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 they have with bigger and more developed countries. The studies also highlight the asymmetrical relationship in which countries such as the just mentioned are 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 argue that such asymmetrical relationship was important for the development of the FTA between South Korea and Chile, both countries' desire to expand their markets can be only made by the proliferation of the trade agreement, in which South Korea and Chile have a symmetrical relationship (Grosman 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 in regards to 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.