The Korea-EU FTA: New Prospects for and Patterns of Agricultural and Agrifood Trade?

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Abstract If a preferential trade agreement is a spatially confined form of economic integration between countries aiming at reducing tariffs for certain products and services in their bilateral or multilateral trade, it can affect trade flows and resource allocation. The Korea-EU free trade area agreement is rather comprehensive, since only a few agricultural products would avail of some specific treatments. The aims of this paper are: to evaluate the effects on agricultural and agrifood trade; to analyse whether this agreement inserts itself in the current trade structure by consolidating it, or whether it will enable a diversification of two-way trade and to verify if the agreement is able to solve some disputes. It will compare the Korea-EU FTA with other similar agreements, and, moreover, by using a number of statistical indicators, the prospective impact of the agreement is assessed at a refined level of analysis. In the case of the Korea-EU FTA, even if the main stakes are in the services sector, and in the machinery and chemical industries, agricultural and food products are strategic, today more than never because of the food security issue and because of climate change effects.

Keywords Globalisation · Trade · Free trade agreement · Agricultural and agrifood products · Indicators

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Background and Key Issues

Signed in October 2010, the Korea-EU free trade area (FTA) agreement is aimed at removing customs duties and Non-Tariff Barriers. Since a few agricultural products and phyto-sanitary measures are also taken into account, this agreement is rather comprehensive. Although a small share of the EU-Korea bilateral trade takes place within the agricultural sector per se, trade liberalisation in agricultural and food products requires a particular attention given their social and environmental impacts which explain the historically high levels of public support characterising both the Korean and the EU agricultural sectors. In both the EU and South Korea (hereafter 'Korea'), the ability of the agricultural and agrifood sector to provide employment opportunities and to guarantee a reasonable standard of living to the rural population is well-established. In addition, the recent food crises threaten the lives of millions and, as a result, several major agricultural and food producing economies have been adopting protectionist measures to ensure adequate domestic supplies. Now that the details of the agreement are known, the prime aim of this paper is to analyse the potential effects of these measures on bilateral agricultural and agrifood trade. This analysis will help to understand whether this agreement inserts itself in the current trade structure by consolidating it, and whether it reinforces the degree of complementarity between the two entities. Finally, by comparing the Korea-EU FTA with the Korea-US FTA, we will identify the salient differences between the two agreements. After a brief review of Korea-EU trade ("[FTAs and Korea-EU Trade](#)") and of the factors underpinning the Korea-EU FTA, "[The Agricultural Sector](#)" analyses EU-Korea trade relations in the agricultural sector. Section "[The Potential Impact of the FTA in the Agricultural Sector](#)" discusses the challenges of the agreement in the agricultural sector, whereas final conclusions are suggested in "[Concluding Remarks](#)".

FTAs and Korea-EU Trade

Emerging Free Trade Agreements

Since the 1990s, many developed and developing countries (nearly all WTO members), have concluded and implemented preferential trade agreements (PTAs), regional trade agreements (RTAs) and free trade agreements so as to enhance international trade.¹ These new-age FTAs tend to be smaller than those born after WWII. Many countries are involved in several PTAs or RTAs, with the consequence that, often, the coexistence in a single country of different rules applies to different FTA partners because each member aims at promoting its own mini-trade regime (Lesser [2007](#)); also, these mini-trade regimes potentially provide discrimination against non-members. A second consequence is that to participation to any new FTA could negatively impact on investment and trade, because FTAs are

¹ In the literature, these agreements are commonly referred to as RTAs (region to region agreements), but RTAs are the exception rather than the rule (see Nicolas [2006](#) for a clarification on this issue).

by definition preferential agreements (Rajan and Sen 2005). Also, some trade negotiations and some FTAs appear as zero-sum games, since the efforts are put on increasing export shares (a mercantilist approach) although the benefits of imports and of free trade are often underestimated (Heydon and Woolcock 2009; Mashayekhi and Ito 2005).

Korea-EU Trade in a General Framework

According to Eurostat and IMF, the EU shows a trade deficit for manufacturing goods with Korea and a surplus in terms of services and FDI stocks. Korea is the 8th import partner of the EU, before India and Brazil, and the 10th export market of the EU, after India and Brazil. Trade flows are asymmetric in that the EU is one of the most important trade partners for Korea; the EU is the third most important importer of Korea, after China and Japan, and Korea's second export market, after China (European Commission 2011). This asymmetry is greatly explained by the differences in the population sizes between the two entities. Generally, Korean trade is more concentrated on a few selected partners than that of the EU. What is striking from this analysis is the fact that the EU is a more important trade partner for Korea than the USA.

The Korea-EU FTA

The FTA between the EU and Korea is the first agreement completed in the group of 'new generation FTAs' launched by the EU in 2007 (European Commission 2006a).² From the view-point of the EU, the core of this FTA is to set up a "stronger engagement with major emerging economies and regions" (European Commission 2006a, p. 5). Given the eagerness of the EU to conclude such an agreement, it is clear that gains are expected from both sides, starting with static trade creation effects. These expected gains have broadly been substantiated by computable general equilibrium based studies such as the one by Copenhagen Economics (2007), which concludes that the total gain emanating from a full FTA would amount to 0.03 % of GDP for the EU and to 3 % in the case of Korea. Using a different methodology, it is shown elsewhere that the FTA would lead to important economic gains in the manufacturing sector, given a high degree of *complementarity* existing between the EU and Korea in office machinery and telecommunication equipment, pharmaceutical products, general industrial machinery as well as scientific instruments (Andreosso-O'Callaghan 2009). However, the same study highlights a low degree of complementarity for road vehicles, electrical machinery and telecommunication equipment whereas it concludes that the EU and Korea are structurally complementary in most agricultural products. This entails that there is

² The objectives (Chap. 1, article 1.1) of the Agreement, are: to liberalise and facilitate trade in goods; to liberalise trade in services and investment; to promote competition; to further liberalise, on a mutual basis, the government procurement markets; to adequately and effectively protect intellectual property rights; to contribute to the harmonious development and expansion of world trade; to commit to the development of international trade; to promote foreign investments.

plenty of scope for gains arising from the planned FTA, at least in some manufacturing areas as well as in agriculture.

The Agricultural Sector

Broad Trends

The analysis of a number of macroeconomic indicators is essential to understand the broad evolutionary pattern of the agricultural sector. These indicators are: population, relative wealth (i.e. GDP per capita), land, as well as the indicators characterising the structural features of the agricultural sector. In line with the case of other fast-developing economies, the Korean population showed a strong growth after the year of the republic's establishment (1948); the growth declined subsequently implying that the Korean population increased from about 20 million of inhabitant in 1949, to more than 40 million in 1985, to 47 million in 2000 and in 2009, the Korean population was estimated at just 48 millions in 2009 (roughly equivalent to the Italian population), with a growth rate of 3.6 % over the period 2000–2009. The decline in the population growth rate and in the proportion of young people poses some concerns to the Korean government.

In 2009, the EU population was estimated at 498.6 million people. The structure of the EU population is radically different from that of the Korean population in that its growth has been fuelled by an uninterrupted flow of immigrants. Although wealth disparities are more pronounced within the EU than in Korea, a tentative comparative analysis of relative wealth is suggested here. GDP per capita is higher in the EU-27 (31,257 US\$ in 2009) than in Korea (27,100 US\$ in 2009), although a certain catching-up process is being observed in the case of Korea. According to the World Bank (2011) value added by sector in Korea and in the EU denotes a progressive decline for agriculture followed by manufacturing, while services sector has been rising in the last two decades. The EU appears as being more service-oriented than Korea and the rapid development of the Korean economy has strongly affected the agricultural sector.

Korea is one of the most densely populated countries in the world, because of its prevalent mountainous areas, and also because of the impressive growth of urban areas and industrialisation since the Korean war. In 2008, only 18.6 % of the land area was used for agriculture; this compares with 44.2 % in the EU (Table 1). Rice, the main cultivated crop in Korea, occupies more than half of the total arable land.

According to the OECD (2008), Korean farm structures are characterised by small-sized holdings, with an average that is not even 1.5 ha. Farm employees are generally aged with a predominance of older women and part-time farming. With a shift of consumer demand for food, linked to rising incomes, away from rice consumption and towards vegetable, fruits, livestock products and milk, the supply of agricultural and food products decreased for the major cultivations. Even rice, the most important crop and the most consumed food, shows a decrease in both value and production terms. The current big concerns are: limited land availability, a decline in the farm population and in water consumption.

Table 1 Korea and EU: Land (1,000 ha)

	1999	2002	2005	2008	Var (%), 1999–2008
Korea					
Land area ^a	9,873	9,679	9,685	9,692	−1.90
Agricultural area ^b	1,954	1,919	1,881	1,805	−8.30
Arable land ^c	1,699	1,674	1,643	1,553	−9.40
Agricultural area/land area (%)	19.79	19.83	19.42	18.62	–
Arable land/agricultural area (%)	86.95	87.23	87.35	86.04	–
EU 27					
Land area ^a	418,454	418,426	418,417	418,113	−0.10
Agricultural area ^b	200,384	195,002	187,807	184,852	−8.40
Arable land ^c	115,572	111,358	109,244	107,946	−7.10
Agricultural area/land area (%)	47.89	46.60	44.89	44.21	–
Arable land/agricultural area (%)	57.68	57.11	58.17	58.40	–

Source FAOstat

^a Land area is the total area of the country excluding area under inland water bodies

^b Agricultural area is the sum of areas under (a) arable land; (b) permanent crops and (c) permanent meadows and pastures

^c Arable land is the land under temporary agricultural crops (multiple-cropped areas are counted only once), temporary meadows for mowing or pasture, land under market and kitchen gardens and land temporarily fallow (<5 years). The abandoned land resulting from shifting cultivation is not included in this category. Data for “Arable land” are not meant to indicate the amount of land that is potentially cultivable

On the EU side, the average utilised agricultural area (UAA) per agricultural holding masks a very heterogenous situation, with a general tendency for an increase paralleled with a reduction in the number of holdings. The largest part of the agricultural work force comes from the family and average agricultural incomes have been fluctuating over the 2000–2009 period. According to Eurostat (2010), the main agricultural output is crop (53.2 %), followed by animal output (30.0 %). The most important crops produced in the EU are cereals (including rice), followed by forage plants. Wheat, barley and maize are the cereals most produced in the EU-27 whereas rice accounts for about 1 % of the total cereal production. Vegetable and fruits are crucial in terms of their weight in food consumption (Eurostat 2010).

Agricultural Trade Between the Two Entities

Even if the EU has been registering a systematic merchandise trade deficit with Korea since the late 1990s (Nicolas 2009), and even if agricultural trade plays a marginal role in EU-Korea bilateral trade, the EU has a healthy trade surplus in agricultural and food products with Korea. As shown in Table 2, EU exports to Korea decreased by 1.1 % and imports have broadly remained constant. It is however a well-known fact that the agricultural sector is strategic. Also, the interface between regionalism and food is a crucial, and rather neglected issue in the literature (Matthews 2003).

Table 2 EU-27 food, drink and tobacco export/import with Korea (million of Euro and %)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Export to Korea	827	847	1,019	756	822	884	967	1,042	968	818
% Total export	1.7	1.7	2	1.6	1.7	1.7	1.7	1.7	1.4	1.3
Import from Korea	122	131	127	122	107	92	98	131	127	115
% Total import	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.2	0.2
Trade balance	705	716	892	634	715	792	869	911	842	703
Normalized trade balance	0.74	0.73	0.78	0.72	0.77	0.81	0.82	0.78	0.77	0.75
EU-27 annual growth (%)	–	2.4	20.3	–25.8	8.7	7.5	9.4	7.8	–7.1	–15.5
EU-27 annual growth from 2000 (%)	–	2.4	11.0	–2.9	–0.2	1.3	2.6	3.4	2.0	–0.1
Korea annual growth (%)	–	7.4	–3.1	–3.9	–12.3	–14.0	6.5	33.7	–3.1	–9.4
Korea annual growth from 2000 (%)	–	7.4	2.0	0.0	–3.2	–5.5	–3.6	1.0	0.5	–0.7
EU-27 export/import coverage	6.78	6.47	8.02	6.20	7.68	9.61	9.87	7.95	7.62	7.11
Korea export/import coverage	0.15	0.15	0.12	0.16	0.13	0.10	0.10	0.13	0.13	0.14

Source Our elaboration on EUROSTAT (2010)

In 2009, EU agricultural exports to Korea (\$1.4 billion) accounted for almost 5 % of total EU merchandise exports to that country. The leading five agricultural food/products shipped—pork, whiskey, corn, wine, and chocolate—accounted for 42 % of the value of the EU's agricultural exports to the Korean market. In 2009, the EU-27 ranked fourth as the source of Korea's agricultural imports, while the United States' place was first (Cooper et al. 2011).

A few indicators can be used to analyse the Korea-EU trade performance in the agricultural sector; these are the normalized trade balance, the growth rate of exports and the export/import cover rate. From the standpoint of the EU, the normalized trade balance is measured as:

$$\frac{\sum_{EU,K} X_{EU,K} - \sum_{EU,K} M_{EU,K}}{\sum_{EU,K} X_{EU,K} + \sum_{EU,K} M_{EU,K}}$$

where $X_{EU,K}$ is the bilateral total export flow from the EU to Korea, and where $M_{EU,K}$ is the bilateral total import flow by the EU from Korea in the end period.

The growth rate of exports can simply be computed as:

$$\left[\left(\frac{\sum_{EU,K}^n X_{EU,K}^1}{\sum_{EU,K}^n X_{EU,K}^0} \right) - 1 \right] \times 100,$$

where $\mathbf{X}^0$ is the bilateral total export flow in the start period, $\mathbf{X}^1$ is the bilateral total export flow in the end period and $\mathbf{n}$ is the number of periods (not including the start period).

Finally, the export/import cover rate is denoted as:

$$\frac{\sum_{EU,K} X_{EU,K}}{\sum_{EU,K} M_{EU,K}}.$$

The calculations of these trade performance indicators are shown in Table 2.

Results pertaining to the normalised trade balance confirm that agricultural trade is in favour of the EU-27; its net agricultural trade with Korea ($X-M$) represents three quarters or more of total agricultural trade between the two countries. This first index shows a stability of the agricultural trade volume on both sides. Because the growth rate of exports can take any value between 100 % (no trade) and $+\infty$, our results indicate that the value of trade in the analysed sector has remained essentially constant. The export/import cover ratio underlines whether or not a country's imports are fully paid for by its exports. Substantial surpluses, as expected, are observed in the EU.

Public Support to the Agricultural Sector: Korea and the EU

Even if the most important macroeconomic indicators highlight a progressive marginalisation of the agricultural sector in Korea, this sector is far from being neglected. Given its position as net food importer of agricultural and food products, strong policies have been adopted in Korea. Due to the implementation of the Uruguay Round agreement, import restrictions were removed and substituted by tariffs, except in the case of rice where a minimum access quota was scheduled (OECD 2008).

The current agricultural policy can be summarised as follows: income policy to reduce the income disparity between urban and rural areas, policies addressing agricultural competitiveness, agro-food policies, environmental policy, rural development policy and trade policy.

The EU is a common market where agricultural products are supported and protected from world market forces. The elimination of trade barriers among the EU member states has enabled European self-sufficiency in food and a strong integration of EU agricultural markets. New technologies and generous CAP support prices in the 1970s, 1980s and early 1990s, led to considerable European agricultural surpluses that the EU added to intervention stocks or dumped on world markets, thanks to its export subsidies. The inclusion in 1986 of agriculture in the Agenda of the GATT (General Agreement on Tariff and Trade) and the WTO after 1995 changed the context within which CAP has evolved, and continues to evolve. A new series of reforms of the CAP began in 1997 (known as Agenda 2000) in preparation for the enlargement of the EU and the implementation of the Uruguay Round agreements of the WTO (European Commission 1997). The core of the Fischler reform in 2003 (European Commission 2002) involved a change of policy instruments.

To underline and to compare the agricultural policy developments and their impact in Korea and in the EU, some OECD indicators are used: the Total Support Estimate (TSE), the Producer Support Estimate (PSE) and the Consumer Support Estimate (CSE).

The TSE measures the overall transfers associated with agricultural support (transfers from taxpayers and consumers to agricultural producers individually and collectively and subsidies to consumers). The monetary value in absolute terms makes however little sense, since Korea and the EU have different sizes. More interesting is the percentage of TSE in GDP because it provides an indication of the financial cost to the economy of the policy measures supporting the agricultural sector. As can be seen in Table 3, this ratio has decreased in both Korea and the EU over the decade under analysis, with a ratio consistently higher in Korea, compared to the EU. In Korea, the general decreasing trend was reversed in 2008, as expected, due to the food crisis and to the resulting public policies.

The Producer Support Estimate (PSE) is an indicator (expressed in both absolute monetary terms and relative terms) of the annual monetary value of gross transfers

Table 3 Total Support Estimate (TSE): agricultural sector

	Korea		EU-27		OECD	
	TSE EUR mn	TSE % GDP	TSE EUR mn	TSE % GDP	TSE EUR mn	TSE % GDP
2000	23,925.5	4.1	106,902.6	1.2	349,455.2	1.2
2003	17,137.4	3.0	111,084.4	1.2	301,072.9	1.1
2006	21,735.4	2.9	113,681.9	1.0	285,361.1	1.0
2009	14,529.2	2.4	100,031.0	0.8	276,218.0	0.9
Δ% 2000–2009	−64.7	–	−6.9	–	−26.5	–

Source OECD (2011a)

Table 4 Producer Support Estimate (PSE): agricultural sector

	Korea		EU-27		OECD	
	PSE EUR mn	% PSE ^a	PSE EUR mn	% PSE ^a	PSE EUR mn	%PSE ^a
2000	20,851.9	66.0	94,708.8	33.1	264,173.9	32.3
2003	14,087.7	56.5	98,134.4	33.6	219,494.4	29.2
2006	18,701.5	59.5	99,008.0	29.0	201,172.5	25.6
2009	12,609.3	51.7	86,980.5	23.5	181,765.5	22.4
$\Delta\%$ 2000–2009	−65.4	–	−8.9	–	−45.3	–

Source OECD (2011b)

^a On gross farm receipts**Table 5** Consumer Support Estimate (CSE): agricultural sector

	Korea		EU-27		OECD	
	CSE EUR mn	% CSE ^a	CSE EUR mn	% CSE ^a	CSE EUR mn	% CSE ^a
2000	−21,747.5	−62.5	−39,171.2	−18.2	−152,145.7	−22.6
2003	−16,405.1	−50.0	−38,770.8	−17.4	−119,362.2	−19.1
2006	−20,823.4	−53.7	−32,987.3	−12.5	−89,723.6	−14.1
2009	−13,940.4	−46.4	−19,952.0	−7.2	−70,075.2	−10.7
$\Delta\%$ 2000–2009	−56.0	–	−96.3	–	−117.1	–

Source OECD (2011b)

^a On gross farm receipts

from consumers and taxpayers to support agricultural producers, measured at farm gate level, arising from policy measures, regardless of their nature, objectives or impacts on farm production or income. This indicator requires that transfers be made to an individual farmer producing goods and services, using factors of production and defined as eligible to receive the transfer. Because monetary transfers are influenced by several factors such as the size of the country, the size of the agricultural sector, the rate of inflation and the importance of different commodities, the percentage allows to compare the support over time and between countries. In Korea, one can observe the decrease of the percentage PSE (Table 4). However, in 2009, it remains high and equal to 52 %. In other words, the estimate value of transfers from consumers and taxpayers to farmers is more than half of the gross farm receipts. By contrast, in the EU the percentage is 24 % in 2009, a value which is approximately half of the Korean value.

The Consumer Support Estimate (CSE) is an indicator of the annual monetary value of gross transfers to (from) consumers of agricultural commodities, measured at the farm gate (first consumer) level, arising from policy measures which support agriculture, regardless of their nature, objectives or impact on consumption of farm products. The Consumer Support Estimate (CSE) measures the implicit tax (or subsidy, if CSE is positive) placed on consumers by agricultural price policies. When negative,

Table 6 Producer Single Commodity (PSC) and Consumer Single Commodity Transfers (CSCT) on value of production (%): some commodities

	2000	2003	2006	2009
Rice				
Korea				
PSC	83.93	72.35	68.98	52.92
CSTC	-81.26	-88.67	-72.42	-53.22
EU-27				
PSC	16.02	26.75	24.29	17.26
CSTC	0.00	14.09	2.32	0.00
Beef and veal				
Korea				
PSC	57.57	23.25	25.28	30.61
CSTC	-108.13	-63.97	-53.14	-61.01
EU-27				
PSC	60.08	61.26	51.64	33.63
CSTC	-48.13	-45.01	-49.31	-28.77
Pig meat				
Korea				
PSC	24.28	14.72	65.09	69.35
CSTC	-26.46	-15.90	-84.58	-87.18
EU-27				
PSC	12.31	12.35	5.19	3.00
CSTC	-12.66	-11.83	-5.23	-2.95
Sugar				
Korea				
PSC	n.d.	n.d.	n.d.	n.d.
CSTC	n.d.	n.d.	n.d.	n.d.
EU-27				
PSC	55.36	64.79	32.69	15.34
CSTC	-42.22	-50.84	-25.88	-12.18

Source Our elaboration on OECD (2011b)

transfers measure the implicit tax on consumption associated with policies to the agricultural sector. As before, it can be expressed in monetary terms or in relative terms. In the EU, the CSE decreased from 18 % in 2000 to 7 % in 2009 (Table 5). The exception of this trend is 2008 when Korea appears hit by the food crisis, because of its status as net food importer. The percentage of CSE is quite similar to PSE (but lower) in Korea, while in the EU the gap between these two indicators is higher, due to a lower import flow of agricultural and food products, compared to Korea.

Some selected agricultural products listed in the Agreement are analysed (Table 6). As it can be observed, Korean Authorities protect rice (excluded in the list) and meat (beef and pig). On other side, sugar appears as an European issue and

tendentially all the trade indicators show a decreasing trend, a result of the recent agricultural reforms.

These specific and relative levels of protection in the agricultural sector of the two countries under review show how partial trade liberalization, through the signing of an EU-Korea FTA for example can lead to many challenges for both entities. The specificities of the agricultural sector and the resurging issues of food security and looming food riots explain why agriculture is a sector carefully analyzed in the process of drafting an FTA, an issue to which we now turn.

The Potential Impact of the FTA in the Agricultural Sector

When considering both industrial and agricultural products, Korea and the EU will eliminate 98.7 % of duties in trade value within 5 years from the entry into force of the FTA (Mandel 2011). However, a limited number of highly sensitive agricultural and fisheries products have transitional periods longer than 7 years. Rice and a few other agricultural products are excluded from the agreement (European Commission 2010). The Annex 3 (*Agricultural Safeguard Measures*) sets out the originating goods that may be subject to agricultural safeguard measures in Korea under Article 3.6, the trigger levels for applying such measures, and the maximum safeguard duty that may be applied each year for each such good. The agricultural products included in this Annex are: beef (16 years), pork (11 years), apples (24 years), malt and malting barley (16 years), potatoes (16 years), ginseng (19 years), sugar (21 years), alcohol (16 years) and dextrins (13 years).

For the EU, the most important issue of the FTA is the separation (Chap. 10) of the Intellectual Property Rights (IPRs) that cover provisions on copyright and related rights, trademarks, geographical indications (GI), designs, patents and plant varieties. In other terms, the FTA is a real success for the EU because protection given covers not only EU GIs wines and spirits but also agricultural products and foodstuffs such as cheese, ham, olive oil³ (i.e. the majority of the European products). If on the one hand, it is expected that this mutual recognition of GIs, in addition to the progressive elimination of customs tariffs, should be a boost to EU exports in Korea for the benefit of European food producers of high-quality products, on the other, European consumers are not really familiar with Korean products. Because of the relative importance of EU wines and spirits in the trade with Korea (Korea not being a wine producer), and because of the high complementarity in Korea-EU agricultural trade as noted above,⁴ the two countries have limited chances of competing on the same markets. Korea is also an important market for the USA. The Korea-US FTA (KORUS FTA) was signed on 30 June 2007, but has not yet been submitted by the Obama Administration to Congress for consideration, due in part to opposition of some members of Congress. The KORUS FTA would reduce Korea's high tariffs and restrictive quotas on most agricultural

³ The only Korean spirit listed is called "Jindo Hongju" which is a liqueur made with a Korean plant called "Jicho".

⁴ Where there are a number of local specialities, such as green tea, rice or ginseng, which are not among the EU protected GIs.

imports. Commodities that could gain immediate duty-free access to the Korean market include wheat, feed corn, soybeans for crushing, hides and skins, cotton, corn gluten feed and meal, and a broad range of high-value agricultural products (such as pistachios, wine, raisins, grape juice, orange juice, fresh cherries, frozen French fries, frozen orange juice concentrate, Bourbon, Tennessee Whiskey and pet food). A number of commodities will gain duty-free access in 2 years, other products (such as food preparations, chocolate and chocolate confectionary, sweet corn, corn sweeteners, corn oil, sauces and preparations, breads and pastry, grapefruit) will be traded duty-free in 5 years. Other US farm products will benefit from expanded market access opportunities (Cooper et al. 2011).

Concluding Remarks

If a preferential trade agreement is a spatially confined form of economic integration between countries aiming at reducing tariffs for certain products and services in their bilateral or multilateral trade, it can affect trade flows and resource allocation. In the case of customs unions, for example, Viner (1950) identified trade creation and trade diversion effects and concluded that if trade creation is dominant, the customs union increases the welfare for all members of the agreement and world welfare and vice versa. Nevertheless politically sustainable agreements might entail high trade-diversion, with high external protection and, as a consequence, low consumers' benefits.

By comparing the EU position with the USA, it appears clearly that where the USA signed or negotiated FTAs, the EU pressed for a similar bilateral agreement, able to guarantee equivalent access for the EU exporters, producers and service providers and vice versa (Woolcock 2007; Sally 2007). If the USA usually adopts the NAFTA model, the EU agreements are extremely different and they change depending the specific circumstances. Agricultural and food products are generally included in these agreements. Given the similarity which exists in agricultural production between the USA and the EU (for example in areas such as meat and cereals production), some of the gains for the EU might be minimised because of the competition emanating from US producers on the Korean market. The Korea-EU FTA reinforces the EU defence position world-wide and it allows the EU to increase its presence in East Asia, from a commercial and economic point of view rather than from a political one. To assess this agreement, the EU has commissioned a number of studies aiming at quantifying the impact of Korea-EU FTA (European Commission 2006b, 2010). The estimates differ according to various levels of liberalisation, but they all point towards a similar conclusion: an increase in EU benefits in terms of trade, which would be much higher if the service sector were to be included. Specific attention is placed on the agricultural sector because the EU has a comparative advantage in agricultural and food products (particularly in beef, cereals, milk, and wines). A considerable issue refers to GIs, a controversial issue in international trade forum with the EU and the USA as the main protagonists. On this topic, the EU and the USA have different approaches and this has also implications for the conclusion of the WTO Doha Round negotiations. If GIs are well used and

protected, they become a strong tool for increasing economic value. Unfortunately, the protection of GIs at the international level is far from being adequate. Even if a number of countries have developed effective legislation to protect GIs, these are not sufficient in a global economy. In the case of the Korea-EU FTA, the protection of GI denominated EU food and drink products can be seen as the best European result achieved in the field of the negotiations. Another issue is in terms of the impact on the agro-food *filière*. The Korean retail sector has been developing very fast with the emergence of companies with a strong market power which could ultimately lessen the beneficial impact of freer trade. This market power can be exercised easily when sourcing similar products from either EU or US suppliers. As far as food security is concerned, the Korea-EU FTA can promote food security by augmenting Korean food supply and by reducing over production in some agricultural output markets in the EU. It can be argued, having in mind the different agricultural structures, that the agreement under analysis has a strong potential for creating one-direction trade creation effects in the agricultural and food sector. In the case of the Korea-EU FTA (and in the US-Korea FTA), even if the main stakes are in the services sector, and in the machinery and chemical industries, agricultural and food products are strategic, today more than never because of the food security issue (Korea could become more food insecure) and because of climate change effects.

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