

Influence of China–Korea and China–Australia Free Trade Agreements on China's Foreign Trade Structure and National industries' Development, and Its Strategies

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The signing of the agreements gives expressions to the rule of profit balance, which is expected to help to expand the China's trade scale, along with the updating and transformation of the trade structure. On the one hand, striking a deal with two developed countries will largely drive forth China's trade in services and in its turn benefit the tertiary industry with its typical case of modern service; on the other hand, the concerning investment part in the agreement helps Chinese enterprises to go global, strengthening China's soft power in the global arena.

I. China's strategy-making after the agreements

Firstly, it is suggested to continue the support of the industries which have dynamic comparative advantages, and to take the chances when the free trade agreements enlarge the trade scale and the potential market capacity. With the spirit of the agreements, China will further encourage its manufacturing and service industries into foreign market. It seems urgent to continue to develop the industries with dynamic comparative advantages, and take the chances when the free trade agreements, playing a full part of its own, enlarge the trade scale and potential market capacity. In China's secondary industry, the comparative advantage of China's traditional coal mining and washing, and food manufacturing and processing has been waning down into comparative disadvantage through 2004-2013 while its capital- and technique-intensive counterpart has acquired comparative advantages, such as general and special equipment manufacturing, and electrical machinery and equipment manufacturing. And in China's tertiary industry, 2004-2013 has witnessed a fading out of the comparative advantages of the traditional tourism; meanwhile many have been gaining momentum, such as the industries of telecommunication, construction, finance and consultancy. In this status quo, China realizes it is time to develop the industries with comparative advantages and at the top of the value chain, involving them into more global business, which will in its turn help to update the industrial chain. In the meantime, the national multinational corporations require more

The China-Korea Free Trade Agreement and China-Australia Free Trade Agreement help to expand the China's trade scale, along with the updating and transformation of the trade structure. The two agreements thrust a push to the trade in services and therefore to the tertiary industry, especially the modern service, diversifying the trade in goods with service trade, whose transformation will make Chinese enterprises more international and reinforce China's soft power on the global stage.

attention. In the view of the global and market principles, enterprises are encouraged to work with the market resources and carry forth, with free market access, the integration of innovation and values from the core enterprises. The next step is to get a say over the value chain, and further, over the industrial train and acquire more power in control and innovation; however, the specialized "small and micro multinational companies" deserve no less attention. The development of such entities makes complete China's industrial value line while these companies are playing a supportive part in building powerful giant corporations with far-reaching influence. The growth of the large corporations will earn China a favorable and dominant place in global value chain when China is originally in a marginal and limited situation.

Secondly, diversify the trade in goods with service trade, whose transformation will update China's foreign trade structure. China has witnessed a growing trade deficit with Korean and Australia. Its trade in goods remains at the bottom of the global value chain where the traditional competition advantages are fading out and new advantages has not yet to come, whose core value relies on technique, brand, quality and service. Furthermore, trade in services sees no obvious development, unmatched with the trade in goods and is best showcased by the time-lagging modern and productive service which fails to underpin the trade in goods. Additionally, traditional trade in services still takes up a large proportion, so does the labor-intensive trade in the imports and exports, such as transportation and tourism, while other factors like finance and information play a little part in trade in services; that is to say the technique-, and knowledge- and capital-intensive service trade has a long way to go. The free trade agreements require China to cultivate new trade mode, along with the transformation of the trade function, instead of simply expanding the manufacturing-based trade. The ultimate aim is to provide a favorable environment for trading innovation and updating so as to achieve a balanced growth between trade in goods and in services. In order to improve the functional aspect, China may put more efforts in opening up the modern service industry as well as in core competitive power, which entails updating with innovations of the processing trade whose point lies in the innovation and the manufacturers and distributions. The key lies in the international and high-standard mechanism which works to kick off the technical and rule barriers in trade and transportation. Firstly, the mechanism requires that China work out a set of internationally recognized rules and regulations, with knowledge of the revolution of the global investment-and-trade rules. It shall take its initiative in the reform of state-owned enterprises, the intellectual property protection and the labor protection, all of which measures are

for any possible change of trade rule. Secondly, a mechanism should be in place which goes along with other countries' development who may be the potential trader and investor. It is top on the agenda to provide beneficial governmental support by refining the agreements of investment and trade, and related policies about customs, inspection and quarantine, cross-border payment, foreign exchange as well as talent pool. It requires an efficient system of goods inspection, cross-border payment, inquiries and financial settlement, curbing the cost of financing, distribution and information exchange. Thirdly, government should pay more to regulation and risk management. Trade liberalization has pressed Chinese government to have better regulation which should be carried out by the team work rather than a single department. Besides, a platform of information exchange between departments should be in place to connect regulation with administration and involve multiple departments into regulation to rein up the foul play and keep an ordered market.

Thirdly, China should be devoted to reshaping the government functions and the political system, which will help the transformation of China's foreign trade and industrial structure.

In the investment management, it is better to introduce a complete set of law to clarify a must-not-do list for the enterprises and make it more transparent, which will in return serve for the future of China-Korean and China-Australian Free Trade Agreements, and sustain the dynamic growth of bilateral trade and industrial integration. And it remains a priority to shift the government functions when it has a long way to go with regard to the market access, regulation and fair competition. The functional shift also requires efficient administration and regulation, as well as a transparent government. It is on the must-do list to kick off the administrative barriers to achieve a simplified and decentralized government along with a buoyant market, whose context could not be limited to the central government but extend to local ones. The fact that China's state council has made some progress in this aspect but most of the local governments fail it suggests that the decentralization be emphasized on local level and updating of policies which have become incompatible with the market. However, the ultimate aim of a simplified and decentralized government is to regulate the market through laws and rules, to achieve a legitimate and transparent government and to clarify the responsibilities and limitations of the government and the enterprises. This is the very mode to develop the market as well as the enterprises. The clarified responsibilities and limitations work to supervise the government, improve its policies, and constrain the government with the law, which will in its turn help the market resource allocation and the flows of industrial elements and to yield benefit from the revolution and the new administrative system.

II. China's strategy against the side effects of the agreements

Any agreement is possibly to pose industrial and even economic threats to its concerned parties. It is especially the case for the service and trade agreements (which may be related with mass media, such as broadcasting, video and news reporting) in that it may cause some political insecurity. It is true of China-Korea and China-Australia Free Trade Agreements. If the “responsibilities and limitations” mode mentioned above is applied to the aspect of investment, it will be more possible to cause some security problems. For example, China’s less developed industries may suffer from the China-Korea Free Trade Agreement whereas China’s farmers may be affected by its China-Australian counterpart. According to China’s Ministry of Commerce, compared with Korean, China’s less developed industries lie in the capital- and technology-intensive ones so as sophisticated machinery and equipment, chemical products and automobile manufacture. The China-Korea agreement has taken it into account, giving reasonable transitional period and partial tax reduction which are designed to offer the related industries enough time and space for adaptation and avoidance of possible bumps in their already stretched development. However, risk is still lurking, which requires the government to take its initiative to avoid the risk and get precautions.

First and foremost, the enterprises should be the immediate beneficiary of the two agreements. According to Gonzales, CEO of United Nations International Trade Center, agreements are always constraint to the counties’ business while enterprises are less involved and ill-informed, especially for the medium and small enterprises, for their lack of legal personnel which prevents them from taking advantage of the agreements. So the cases are always that the agreement fail to be carries out by real practice and remains to be a paper-work, which situation has suggested China set up a free trade fund for these medium and small enterprises, offering related trainings and improve their awareness of the agreements.

Secondly, give additional precautions to the free trade agreements in the existing trade precaution system. Internationally, there is no such regulation institution taking care of the similar China-Korea and China-Australia Free Trade Agreements. Although WTO requires a register of the free trade zones and submission of the detailed agreements to the secretariat, yet the register-and-submission system wields limited influence on all parties, let alone the tough regulations. Therefore, it is time to set up an additional precaution system against the industrial impact brought about by the China-Korea, China-Australia and any other free trade agreements.

The 49th Article of *The Foreign Trade Law of the People’s Republic of*

China which took effect on July 1st, 2004 has stipulated that the foreign trade department and other departments in the state council should set up an early-warning mechanism for the trade of goods, technology and international service, in case of any emergencies and unexpected situations, whose ultimate aim is for the economic security. This Article illustrates that an early-warning mechanism has been included in the legal responsibility for China's government and this stipulation goes a long way in supporting industrial development and security in the international context. Therefore, if the administrative resources are adequate, it is suggested to set up an independent early-warning mechanism against industrial impairment among the parties of the free trade agreement; and if not adequate, and in order not to illicit objection from parties, a supplementary and independent early-warning mechanism can be added into the existing early-warning mechanism. Great attention should be paid to the import and export trend of the special goods.

Thirdly, it is top on the agenda to set up a trade adjustment assistance system. In the international community, the United States is the very country that has built up an authorized Trade Adjustment Assistance system, which is combined with the Trade Promotion Authority Act. Such combination gives full attention to employees, enterprises and farmers who interest has been undermined by trade liberalization or production transformation, offering governmental assistance and helping the industries—which are in recessions or with comparative disadvantages—to gain more competitive power in import and export. This functions as a subsidy system, which, according to WTO, is not in apparent violation with the Agreement on Subsidies and Countervailing Measures. And the agricultural part in this trade adjustment assistance programme is generally in line with the Agreement on Agriculture issued by WTO. In a word, it is basically legal and feasible to conduct a trade adjustment assistance programme in the context of WTO, though sometimes it is necessary to take into account some individual cases. China should give serious consideration to this programme.

Last but not least, the fundamental approach to deal with the possible economic insecurity is to take the initiative to open up to the world. In the spirit of “opening-up for reform”, the strategy for any industrial consequences of the free trade agreement is to develop national industries and enhance their competitiveness. The general guideline is to support China's economic transformation and updating through opening-up, free competition and work efficiency in every industry.

Besides, in the light of negotiating technology, the joint research of government, industries and institutes should involve more universities,

think tanks, industrial unions and large enterprises. Meanwhile, it requires a team work national wide to probe into the input-output tables and the trade statistics based on the global value chain, with accurate industrial categorization and precise location of different production and products.

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