



저작자표시-비영리-변경금지 2.0 대한민국

이용자는 아래의 조건을 따르는 경우에 한하여 자유롭게

- 이 저작물을 복제, 배포, 전송, 전시, 공연 및 방송할 수 있습니다.

다음과 같은 조건을 따라야 합니다:



저작자표시. 귀하는 원저작자를 표시하여야 합니다.



비영리. 귀하는 이 저작물을 영리 목적으로 이용할 수 없습니다.



변경금지. 귀하는 이 저작물을 개작, 변형 또는 가공할 수 없습니다.

- 귀하는, 이 저작물의 재이용이나 배포의 경우, 이 저작물에 적용된 이용허락조건을 명확하게 나타내어야 합니다.
- 저작권자로부터 별도의 허가를 받으면 이러한 조건들은 적용되지 않습니다.

저작권법에 따른 이용자의 권리는 위의 내용에 의하여 영향을 받지 않습니다.

이것은 [이용허락규약\(Legal Code\)](#)을 이해하기 쉽게 요약한 것입니다.

[Disclaimer](#)

國際學碩士學位論文

**A Comparative Analysis of the China-New
Zealand FTA and the China-Korea FTA:
Implications for China's Future FTA Strategy**

중국-뉴질랜드 FTA 와 한-중 FTA 의 비교분석:
향후 중국 FTA 전략의 시사점

2015 年 8 月

서울대학교 國際大學院

國際學科 國際通商專攻

王 悅

**A Comparative Analysis of the China-New
Zealand FTA and the China-Korea FTA:
Implications for China's Future FTA Strategy**

중국-뉴질랜드 FTA 와 한-중 FTA 의 비교분석:
향후 중국 FTA 전략의 시사점

A thesis presented

by

Yue Wang

A dissertation submitted in partial fulfillment of the
requirements for the degree of Master of International
Studies in the subject of International Commerce

Graduate School of International Studies

Seoul National University

Seoul, Korea

August 2015

중국-뉴질랜드 FTA와 한-중 FTA의 비교분석:

향후 중국 FTA전략의 시사점

指導教授 安德根

이 論文을 國際學碩士 學位論文으로 提出함

2015年 5月

서울大學校 國際大學院

國際學科 國際通商專攻

王悅

王悅의 碩士學位論文을 認准함

2015年 7月

委員長 鄭永祿 (인)

副委員長 金鍾燮 (인)

委員 安德根 (인)

THESIS ACCEPTANCE CERTIFICATE

The undersigned, appointed by

The Graduate School of International Studies
Seoul National University

Have examined a thesis entitled

A Comparative Analysis of the China-New Zealand FTA and the China-Korea FTA: Implications for China's Future FTA Strategy

Presented by **Yue Wang**

Candidate for the degree of Master of Art in International Studies and
hereby certify that it is worthy of acceptance

Signature

Committee Chair



Cheong, Young-Rok

Signature

Committee Vice-chair



Kim, Chong-Sup

Signature

Thesis Advisor



Ahn, Dukgeun

Copyrights © 2015 by Yue Wang
All Rights Reserved

Abstract

A Comparative Analysis of the China-New Zealand FTA and the China-Korea FTA: Implications for China's Future FTA Strategy

Yue Wang

International Commerce Major
Graduate School of International Studies
Seoul National University

In recent years, economic globalization and regional economic integration have become world-wide trends. China is keen to conclude more Free Trade Agreements (FTA) with its trade partners and is calling for accelerated fulfillment of the FTA strategy. Strong global connections and improved access to markets are fundamental to China's economic strategies. China has 19 FTAs under development, among which 14 Agreements have already been signed and implemented as of 2015. The China-New Zealand FTA and the China-Korea FTA are the most representative of China's established FTAs. This thesis is a comparative analysis which examines the differences and similarities in several sectors, and then concludes how the Chinese government changes its attitude and strategies in regards to its FTAs. Compared to the China-New Zealand FTA, the China-Korea FTA covers the

broadest range of issues and involves the biggest trade volume of countries among all of China's signed FTAs so far. It will not only promote bilateral trade and economic relations between China and Korea, but will also make a greater contribution to the economic integration of East Asia and the Asian-Pacific region, and to the development of the global economy as a whole. Yet, compared to the China-New Zealand FTA, there is an element of protectionism and restrictions on some sectors in the China-Korea FTA, particularly when considering this FTA has been established with such a large trading partner. China is tending towards building a new economic system of openness and has taken a more positive attitude to the establishment of FTAs. At the same time, more attention is being paid to the characteristics and details of these FTAs with more emphasis on risk and risk assessment considering the country's interests and the signing parties' actual situations. In the concluding section of this thesis, implications for China's future FTA strategies and possible enhancements and suggestions for further market liberalization will be considered by comparisons with other FTAs.

Key words: China-Korea FTA, China-New Zealand FTA, China's future FTA strategy, comparative analysis

Student Number: 2013-22699

ABBREVIATIONS AND ACRONYMS

ADS	Approved Destination Status
ASEAN	Association of Southeast Asian Nations
APEC	Asia-Pacific Economic Cooperation
CIF	Cost, Insurance and Freight
DDA	Doha Development Agenda
DSB	Dispute Settlement Body
EU	European Union
FDI	Foreign Development Investment
FIT	Free Independence Traveler
FOB	Free on Board
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Service
GATT	General Agreement on Tariffs and Trade
KITA	Korea International Trade Association
MFN	Most-Favoured-Nation Treatment
NAFSA	Association of International Educators
NAFTA	North American Free Trade Agreement
NTB	Non-tariff Barrier
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
US	United States
WTO	World Trade Organization

TABLE OF CONTENTS

Chapter 1 Introduction.....	1
1.1 Overview of the China-New Zealand FTA and the China-Korea FTA.....	1
1.2 Literature Review	3
1.3 Significance of the Research.....	5
1.4 Research Methodology.....	6
1.5 Structure of the Paper	7
Chapter 2 Economic Development of China-New Zealand and China-Korea.....	9
2.1 Overview of China-New Zealand Economic Relationship.....	9
2.1.1 Trade between China and New Zealand.....	9
2.1.2 Service between China and New Zealand	13
2.1.3 Investment between China and New Zealand.....	15
2.1.4 Trends in Economic Cooperation.....	16
2.2 Overview of China-Korea Economic Relationship	17
2.2.1 Trade between China and Korea	17
2.2.2 Service between China and Korea.....	20
2.2.3 Investment between China and Korea	21
2.2.4 Trends in Economic Cooperation.....	23
2. 3 Conclusions on China’s Traditional FTA Strategy	25
Chapter 3 Comparative Analysis.....	28

3.1 Trade in Goods.....	28
3.1.1 Elimination of Tariff	29
3.1.2 Agriculture Sector.....	32
3.1.3 Non-tariff Measures	37
3.2 Trade in Service	39
3.2.1 Scope of Trade in Services	39
3.2.2 Degree of Openness	41
3.2.3 Way of Scheduling Service Commitments.....	44
3.2.4 Most-Favoured-Nation Treatment.....	45
3.2.5 Co-production on Film, TV drama, Documentary and Animation.....	46
3.3 Trade in Investment	47
3.3.1 National Treatment	48
3.3.2 Most-Favoured-Nation Treatment.....	50
3.3.3 Transparency	51
3.3.4 Settlement of Investment Dispute	53
3.4 Movement of Natural Persons	55
3.4.1 Definition and Scope	56
3.4.2 Visa Facilitation	57
3.5 Dispute Settlement Mechanism	58
3.5.1 Scope	59
3.5.2 Consultations.....	59
3.5.3 Good Offices, Mediation and Conciliation.....	61

3.5.4 Structure of the Dispute Resolution System.....	61
3.5.5 Suspension of Concessions or Other Obligations.....	66
Chapter 4. The Implications for China’s Future FTA Strategy	69
4.1 Implications of Trade in Goods.....	69
4.1.1 Elimination of Tariff	69
4.1.2 Liberalization of Agricultural Sector	71
4.1.3 Reduction of Non-Tariff Barriers.....	74
4.2 Implications of Trade in Services	75
4.2.1 Expanding High Value-added Services Exports.....	75
4.2.2 Cooperation in Film Industry.....	76
4.2.3 Further Liberalization of Trade in Service.....	77
4.3 Implications of Trade in Investment	78
4.3.1 Huge Growth Potential in Investment Sector.....	78
4.3.2 Further Liberalization and Cooperation of Trade in Investment	80
4.4 Implications of Movement of Natural Persons.....	83
4.4.1 Accelerating Mutual Recognition	83
4.4.2 Providing Visas for Spouses and Children	84
4.4.3 Focusing on the Asian Labor Market	85
4.5 Implications of the Dispute Settlement Mechanism	86
4.5.1 Making Better Use of the Consultation and Mediation Mechanism....	86
4.5.2 Composition of Panel	89
4.5.3 Review of Panel Report	91

Chapter 5 Conclusion	93
References.....	96
국문초록.....	101

LIST OF TABLES

Table 1 Top 10 Korean Export Items to China (1992 vs 2014)-----	19
Table 2 China-Korea Tourism Development-----	21
Table 3 Process of Elimination of Tariff in the China-New Zealand FTA -----	30
Table 4 Process of Elimination of Tariff in the China-Korea FTA -----	31
Table 5 Trade Volume between China and New Zealand (from 2009-2013) -----	31
Table 6 Trade Volume between China and Korea (from 2009-2013)-----	32
Table 7 Openness of Agricultural Products between China and New Zealand-----	34
Table 8 Openness of Agricultural Products between China and Korea-----	35
Table 9 Korea's Agricultural Products Imports and Exports from the World-----	36
Table 10 Comparison of the Provisions in Terms of Non-Tariff Barriers-----	38
Table 11 World Trade in Services by Country (Regions) for 2013-----	41
Table 12 Classification of Openness Level in Trade in Services in FTAs -----	42
Table 13 Openness Level in Trade in Services in China's Established FTAs-----	43
Table 14 Openness of Industrial Products between China and Korea -----	71
Table 15 Openness of Agricultural Products between Korea and US -----	73
Table 16 In-quota Quantity of Orange Imported from US to Korea -----	74
Table 17 China Outbound FDI (2002-2013) -----	79
Table 18 Proportion of China Outbound FDI in 2013 by Economic Classification	81
Table 19 Period of Consultation Held after the Date of Receipt of the Request ---	88

LIST OF FIGURES

Figure 1 New Zealand Exports in Oversea Merchandise Trade-----	10
Figure 2 New Zealand Imports in Oversea Merchandise Trade-----	10
Figure 3 New Zealand Merchandise Exports to China -----	12
Figure 4 New Zealand Merchandise Imports from China-----	12
Figure 5 Chinese International Visitor Expenditure and Numbers in New Zealand	14
Figure 6 International Students from China in New Zealand-----	15
Figure 7 China-Korea Trade development -----	18
Figure 8 Ratio of Manufacturing and Service Industries among Korea's investment in China -----	22
Figure 9 Korea Direct Investment in China -----	23
Figure 10 Proportion of China Outbound FDI in 2013 by Industry -----	81

Chapter 1 Introduction

1.1 Overview of the China-New Zealand FTA and the China-Korea FTA

China has become deeply integrated into the global economy over the past decade, following its accession to the World Trade Organization (WTO) in 2001. In addition to removing trade barriers as a member of WTO and General Agreement on Trade in Service (GATS), China has concluded 14 FTAs with neighboring countries and key trading partners as of June 2015.¹ Recent trends suggest that China considers FTAs as an effective approach to achieve its economic, political, and strategic interests in the global context, and views them as vital to integrating itself into the global economy and strengthening economic cooperation with other economies.

New Zealand was the first advanced country to recognize China's full market economy status. The free trade negotiations were started in December 2004 and

¹ China has signed and implemented 14 FTAs with ASEAN, Singapore, Pakistan, New Zealand, Chile, Peru, Costa Rica, Iceland, Switzerland, Korea, Australia, Hong Kong, Macaw and Taiwan, available at: <http://fta.mofcom.gov.cn/> (Accessed: June 24th 2015)

concluded in December 2007 after 15 rounds of negotiations. It is the first comprehensive deal that China has signed with a Western developed nation. The China-New Zealand FTA was designed to boost the content of “China-New Zealand comprehensive cooperative relations for mutual benefits and win-win situations in the 21st century”.² This China-New Zealand FTA is evaluated to be very significant to China’s future FTA strategy and negotiations, as it indicates valuable accumulated experience in learning how to open its market further.

China and Korea, two key economies of the Asia-Pacific region, also play an important role in fostering global economic development. After the establishment of diplomatic relations between China and Korea in 1992, their bilateral trade dramatically increased from US\$2.8 billion in 1992 to US\$12,385 billion in 2013. China-Korea FTA negotiations commenced in May 2012, and were effectively finalized as of November 2014. The FTA was officially signed on June 1, 2015. It is evaluated that “the China-Korea FTA covers the broadest range of issues and involves the biggest trade volume of countries among the foreign FTAs signed by

² *China-NZ FTA to boost all-round development of trade ties*, Ministry of Commerce People’s Republic of China, April 6th 2008, available at: http://english.mofcom.gov.cn/article/zt_thirdcif/lanmua/200804/20080405468842.shtml (Accessed: June 24th 2015)

China so far”.³ Also, the FTA represents a higher level of trade liberalization and market opening-up than any other FTA China has negotiated.

The China-New Zealand FTA was considered as a turning point as it is the first comprehensive FTA China signed with a Western developed nation. Also, in terms of the China-Korea FTA, it is the first time that China established an FTA with a completely industrialized nation with a higher level of economic openness. Undoubtedly, the China-New Zealand FTA and the China-Korea FTA are two representative cases, yet with distinct differences. We can observe the attitude changes in Chinese negotiations from a comparative analysis of the two FTAs and conclude what these changes to China’s future FTA strategies.

1.2 Literature Review

A country’s FTA strategy plays an important role in determining a nation’s economic development and status within the world’s economy. Inevitably, these strategies change depending on different purposes and periods. Scholarly papers and books use various methods and theories to explain FTA strategies, particularly

³ *China-Korea Free Trade Agreement Officially Signed*, China FTA Network, June 2th 2015, available at: http://fta.mofcom.gov.cn/enarticle/enkorea/enkoreanews/201506/21935_1.html (Accessed : June 24th 2015)

for China's case. Some of which deserve mention here.

In-koo Lee (2006) initially analyzes China's FTA strategy based on established FTAs and supports his arguments by using the Profit Gravity Model. The result shows that China mainly promotes FTAs with adjacent and nearby countries with abundant natural resources. However, the book was published in December 2006, which was before the China-New Zealand FTA was signed, meaning the data and the conclusion do not take into consideration the current situation. PilSoo Choi, Suyeon No and Min Suk Park (2012) analyze current situations, characteristics, changes and challenges of trade and investment sectors in China and Korea and predict further prospective cooperation in emerging industries and finance fields. This study, however, analyzes only a few of the 17 fields included in the China-Korea FTA. Woong Lee and Chankwon Bae (2013) mention that larger regional trade indicates more trade between countries within a region than trade across regions, but the article only considers Asian regions without a global context. Xiaoming Pan (2014) shows that China is keen to conclude more FTAs with its trade partners to strengthen friendly and cooperative relations with a number of countries and boost export growth. He also argues that

China is altering its strategy from a single focus on trade in goods to a diversified focus on services, investment etc. However, the article does not consider the fact that the Chinese government tends to sign FTAs with larger trading partners. When a competitive relationship in trade structure and large trade volume is taken into account, the situation becomes more complicated.

1.3 Significance of the Research

First, there is not a broad range of research dedicated to this topic. Since negotiations for the China-Korea FTA were just completed on February 25, 2015 and it was officially signed on June 1, 2015, few scholars have noticed the explicit differences between the two representative FTAs. Thus, this research will emphasize the changes between the two FTAs.

Second, it is very important to understand China's FTA strategy. This is not only due to the growing economic clout of China, but also because China has been keen to push for economic integration in the region. Thus, China's conscious strategy for promoting FTA negotiations will undoubtedly have implications for all countries in the world.

Third, it is considerably meaningful and significant to compare these two representative cases. Before the China-New Zealand FTA, China had never established a comprehensive FTA with a developed country. Also, the latter China-Korea FTA is the first FTA that China signed with a completely industrialized nation that has been globally competitive in the fields of automobiles and electronics. The establishment of the FTA with Korea can be seen as a push for a higher level of economic openness.⁴ This paper seeks to answer the question of precisely what developments and progress has been made between the two FTAs; whether it means the change of China's attitude towards FTAs, and what the implications are for China's future FTA strategy as well as for other countries in the world.

1.4 Research Methodology

This research will be applied mainly through a "Legal Hermeneutics" approach. This approach basically relies on the interpretation, explanation and understanding of legal writings, and it contributes to our understanding of law. This

⁴ PiIsoo Choi, Suyeon No and Min Suk Park, *20 Years of the Korea-China Economic Relationship: Retrospect and Prospect*, KEIP World Economy Update, Vol.2 No. 2 October 15th 2012

research will involve the interpretation of provisions in the FTAs as well as provide the arguments in support of this interpretation. Also, this approach will help to conclude the reasons behind each provision.

Furthermore, this research will conduct a comparative analysis of the differences and similarities of both the China-New Zealand FTA and the China-Korea FTA as well as with other FTAs. Comparing established FTAs serves as a good means for analyzing the characteristics and examining the differences of these FTAs, which is necessary for understanding the change in China's FTA strategy and for providing suggestions for solutions to potential problems.

1.5 Structure of the Paper

This paper is mainly based on a comparative study of the China-New Zealand and China-Korea FTAs and how we can draw implications for China's future FTA strategies. Following a first introductory chapter, chapter two will present the economic relationship in trade, service and investment sectors, illustrating the economic cooperation and development respectively between China-New Zealand and China-Korea. The chapter will show China's traditional FTA strategy. The third

chapter is a comparative analysis of the China-New Zealand and China-Korea FTAs, which are divided into five sectors: trade in goods, trade in services, trade in investments, movement of natural persons, and dispute settlement mechanisms. The following chapter will demonstrate the implications for China's future FTA strategy based on results from this comparative study. Furthermore, this chapter will focus on promoting suggestions and recommendations by comparisons with other FTAs. The last chapter concludes this thesis by summarizing the key observations.

Chapter 2 Economic Development of China-New Zealand and China-Korea

2.1 Overview of China-New Zealand Economic Relationship

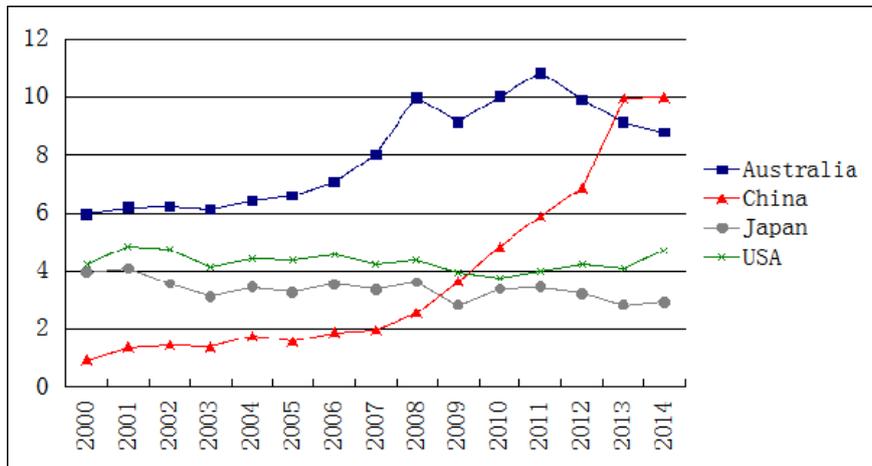
2.1.1 Trade between China and New Zealand

Since the start of economic liberalization more than 30 years ago, China has become an increasingly important trade partner to the New Zealand economy, particularly over the past decade. China became the largest goods trading partner of New Zealand for the first time in 2013, and the goal of bilateral trade to NZ\$ 20 billion (US\$15 billion) by 2015 was achieved ahead of schedule.

In terms of merchandise exports between 2000 and 2013, China overtook Australia as New Zealand's largest trade partner with NZ\$ 9.97 billion (US\$7.52 billion) in 2013 (Figure 1 below). China has also become the largest import source ahead of Australia, increasing from NZ\$1.92 billion (US\$1.45 billion) of goods imports in 2000 to NZ\$8.68 billion (US\$6.54 billion) in 2014 (Figure 2 below).

Figure 1 New Zealand Exports in Overseas Merchandise Trade

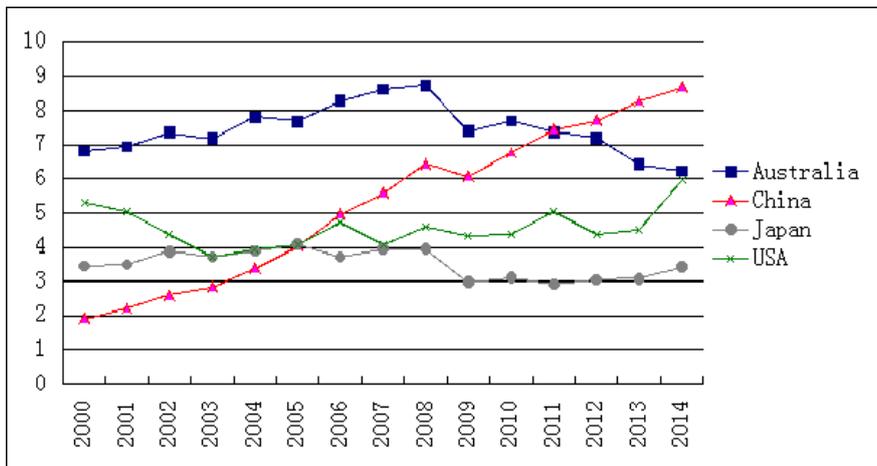
Unit: Free on Board (FOB) NZ\$ billions



Source: Statistics New Zealand

Figure 2 New Zealand Imports in Overseas Merchandise Trade

Unit: Cost, Insurance and Freight (CIF) NZ\$ billions

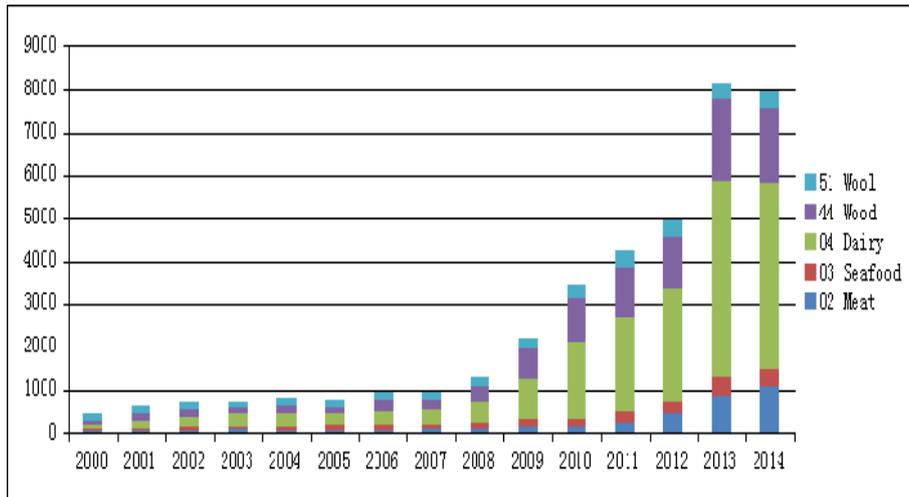


Source: Statistics New Zealand

Considering China's crucial role to New Zealand's external trade, New Zealand is heavily dependent on China as a market or source. The top five export products to China from New Zealand are dairy, forestry, meat, wool and seafood. The top five product groups accounting for more than two-thirds of New Zealand goods imported from China are appliances, textiles, electrical machinery, furniture and plastics. New Zealand exports to China have been led by dairy and forestry products, with exports of NZ\$4,326 million (US\$3,261 million) and NZ\$1,731 million (US\$1,305 million) respectively in 2014, up roughly 38 times and 20 times each in 2000. The structure of New Zealand's exports to China is less diversified, and dairy products account for more than half of this share (Figure 3 below). All top five products New Zealand imports from China have dramatically increased from 2000 and 2014, with the share of textiles decreasing and appliances increasing (Figure 4 below).

Figure 3 New Zealand Merchandise Exports to China

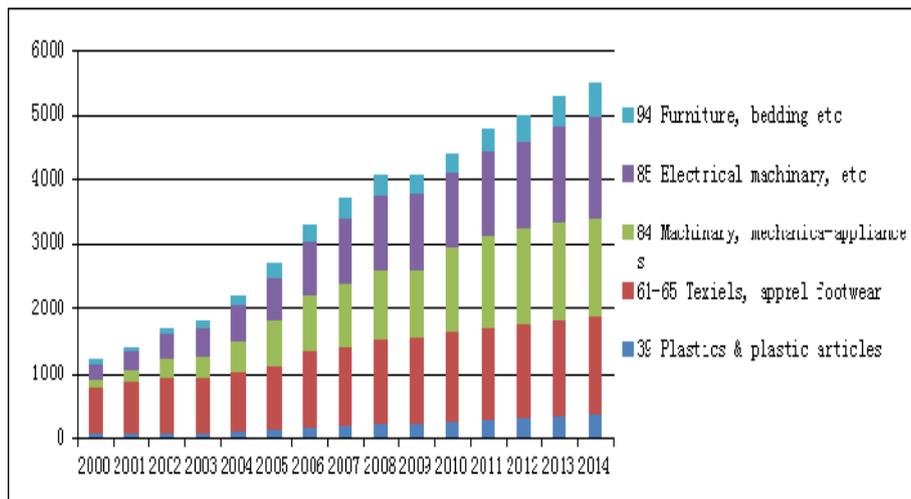
Unit: NZ\$ millions



Source: Statistics New Zealand

Figure 4 New Zealand Merchandise Imports from China

Unit: NZ\$ millions



Source: Statistics New Zealand

2.1.2 Service between China and New Zealand

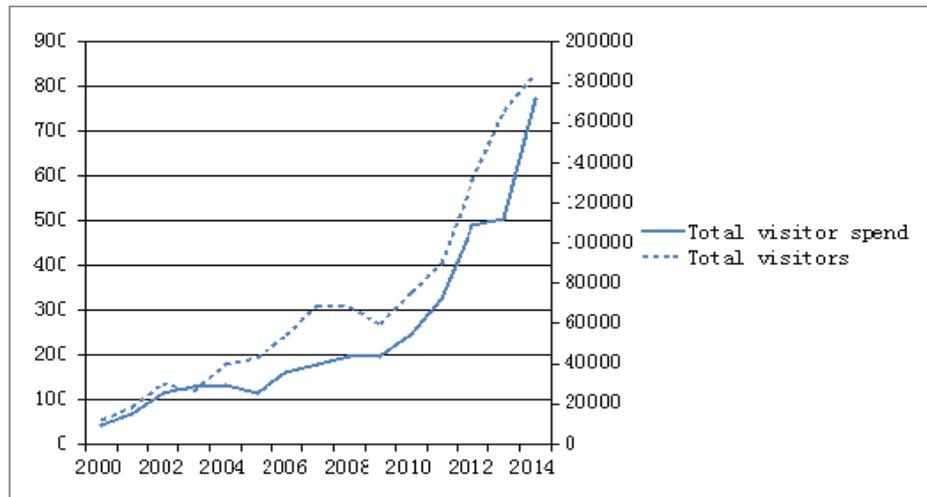
The bilateral services trade between China and New Zealand has expanded quickly in recent years, with tourism and education presently among the fastest expanding sectors.

In 1997 China accorded New Zealand “Approved Destination Status” (ADS) for Chinese tourist groups, which stimulated a significant growth of short-term visitors. The ADS authorized 96 outbound travel agents and about 30 New Zealand inbound tour operators. These agents have built a trusted partner relationship with Immigration New Zealand and Tourism New Zealand, which entitles them to fast-track visa processing (3 day turn-around on a group visa and 5 days on a Free Independence Traveler -FIT visa). In 2013 Tourism New Zealand launched a new trade marketing initiative in China known as the Premium Kiwi Partner programme, which aims to improve travelling quality and attract more Chinese visitors. PKP partners are a subset of ADS partners.⁵ According to Figure 5, the number of Chinese tourists increased from 11,970 in 2000 and reached 184,700 in 2014.

⁵ *Market Trends*, Tourism New Zealand, June 5th 2015, available at: <http://www.tourismnewzealand.com/markets-stats/markets/china/market-trends/> (Accessed: July 4th 2015)

Figure 5 Chinese International Visitor Expenditure and Numbers in New Zealand

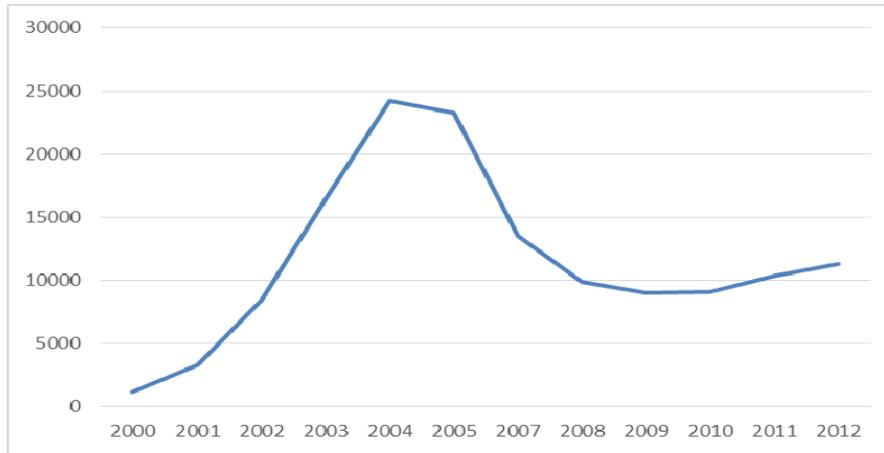
Unit: NZ\$ millions, Number



Source: Statistics New Zealand

Education is one of the fast-growing New Zealand service export sectors. Since 1998, an increasing number of Chinese students have traveled to New Zealand for secondary and tertiary education or English language study. According to Figure 6, more than 11,000 Chinese students studied in New Zealand in 2012, 10 times the number in 2000. Chinese students currently account for the largest proportion of foreign students studying in New Zealand, however, there has been a significant reduction in the number of Chinese students since the middle of 2003.

Figure 6 International Students from China in New Zealand



Source: United Nations Educational, Scientific and Cultural Organization (UNESCO), Institute of Statistics

2.1.3 Investment between China and New Zealand

As a result of more two-way trade, New Zealand investment in China has risen from US\$0.1 billion in March 2001 to US\$0.9 billion in 2012, becoming the 15th largest investment destination. New Zealand investment in China is in a range of industries including dairy production and processing, wholesale, and retail. Over the same period China has increased its foreign investment in New Zealand from US\$0.5 billion to US\$1.9 billion, becoming the 13th largest source of foreign investment.

Given an extension of trade connections, investment linkages are likely to

become more important in the future. There is evidence that China has already invested in New Zealand forestry, dairy farms, dairy processing, agricultural services and manufacturing growing in order to improve its own agricultural industry in learning from the New Zealand industry, which has a reputation for quality.⁶

2.1.4 Trends in Economic Cooperation

Communication channels regarding trade and economic issues between China and New Zealand have expanded over the years. In 1988 China and New Zealand signed a bilateral Investment Promotion and Protection Agreement. China and New Zealand signed a Trade and Economic Cooperation Framework in 2004 to manage vital and dynamic factors in their bilateral relationship. The China-New Zealand FTA signed in 2008 elevated the trade and economic relationship between two countries to a new level of cooperation. Since the implementation of the FTA, custom duties levied on goods trade have been gradually decreased, the service market has been further opened, and the investment environment has seen greater regulation introduced. China and New Zealand have enjoyed close cooperation in

⁶ Scott Bowman, Patrick Conway, *China's Recent Growth and its Impact on the New Zealand Economy*, New Zealand Treasury Working Paper 13/15, July 2013

Asia-Pacific Economic Cooperation (APEC) for a number of years, and more importantly, Chinese President Xi Jinping visited New Zealand in 2014. The two countries have built high-level political trust and have achieved mutually beneficial collaboration in a wide range of fields on the basis of mutual understanding, Xi said in his talks with New Zealand Prime Minister John Key in Wellington. Specifically, he mentioned that China and New Zealand can cooperate to boost a regional free trade arrangement that benefits all parties, and work together to establish the Asia Infrastructure Investment Bank.

2.2 Overview of China-Korea Economic Relationship

2.2.1 Trade between China and Korea

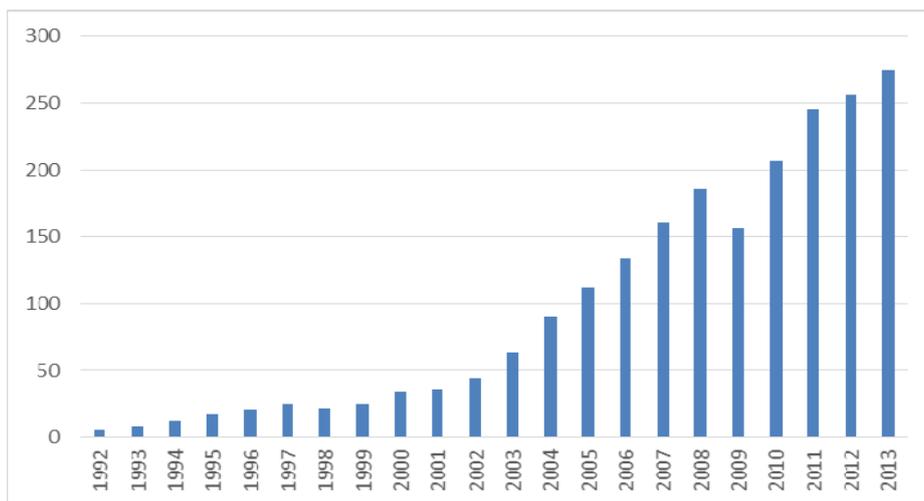
Since 2004, China has emerged as Korea's largest trading partner, accounting for 30% of Korea's total exports.⁷ Along with being the largest export market, China has become the biggest source of imports. Korea is one of the most important trade and investment cooperation partners of China too. According to

⁷ PiSoo Choi, Suyeon No and Min Suk Park (2012)

Figure 7, compared to merely US\$5 billion in 1992, bilateral trade increased 54.8 times to US\$274 billion in 2013. The bilateral trade value of the two countries is more than one fifth of Korea's total foreign trade and is bigger than Korea's combined trade with the United States and Japan, its second-and third-biggest trading partners, respectively.⁸

Figure 7 China-Korea Trade Development

Unit: US\$ billions



Source: UN comtrade

When Korea and China established diplomatic relations, the main trade items were textiles and minerals. However, in the early 1990s, there was an increase in

⁸ K-stat, available at: <http://stat.kita.net/main.screen> (Accessed: June 16th 2015)

steel and chemical products. The largest amount of export items shifted to semiconductors, which ranked first with a total amount of US\$85,642 million in 2014. (Table 1 below)

Table 1 Top 10 Korean Export Items to China (1992 vs 2014)

Unit: US\$ millions

1992			2014		
Code	Name	Amount	Code	Name	Amount
Total		2,654	Total		85,642
613	Steel Plate	420	831	Semiconductors	26,156
214	Synthetic Resins	299	836	Flat panel Display and Sensors	16,572
612	Wire and Bar Steel	235	214	Synthetic Resins	7,564
331	Leather	141	133	Petroleum Products	7,000
411	Synthetic Fibers	130	213	Synthetic Petro-chemical Raw Materials	1,471
434	Synthetic Fiber Fabrics	98	212	Intermediate Petro-chemical Raw Materials	6,727
252	Paper Products	90	812	Wireless Communication Equipment	6,362
721	Synthetic and Chemical Machinery	76	742	Automobile Parts	6,090
133	Petroleum Products	74	211	Base Oils	4,211
219	Misc. Synthetic and Chemical Products	69	613	Steel Plate	3,489

Note: Based on MTI 3 codes.

Source: K-stat

2.2.2 Service between China and Korea

The entertainment and tourism industries are the fast-growing service sectors between Korea and China. China owns the world's second-largest film market and Korea owns the highest level of film making technology in Asia. As the China-Korea FTA negotiations have progressed, the two countries have signed co-production deals. Chinese investors tend to cooperate aggressively to co-produce films, rather than to buy company stakes outright. Korea-China co-productions, once recognized as China's home-grown films, can be easily released in China without limitations on the number of film imports, helping more Korean-made films enter China. With Korea's excellent film production skills and China's abundant investment budgets with a huge potential market, film co-production can be a future trend beneficial to both parties.

In terms of the tourism industry, there is a large number of visitor exchange between the two countries. Although the number of Korean visitors to China has not changed dramatically, it remained their number one destination between 2007 and 2013. On the other hand, the numbers of Chinese visitors to Korea has increased dramatically every year (Table 2 below). Furthermore, a report, released

at the 2014 Beijing Fragrant Hills Summit, shows that Chinese tourists spent approximately 19,871 yuan (US\$ 3,240) per person on average overseas in 2013. Specifically, visitors spent most in Seoul on average. As the world's largest source of tourists, China will definitely spur the economic growth of Korea.

Table 2 China-Korea Tourism Development

Unit: 10,000

	Numbers of Chinese visitors to Korea	Year-on-year change (%)	Numbers of Korean visitors to China	Year-on-year change (%)
2013	425.34	42.00	396.90 (No.1)	-2.50
2012	299.51	26.50	406.99 (No.1)	-2.80
2011	236.78	20.30	418.54 (No.1)	2.670
2010	196.86	33.50	407.64 (No.1)	27.50
2009	N/A	N/A	319.75 (No.1)	-3.70
2008	N/A	N/A	396.04 (No.1)	-17.09
2007	131.25	19.50	477.68 (No.1)	21.70

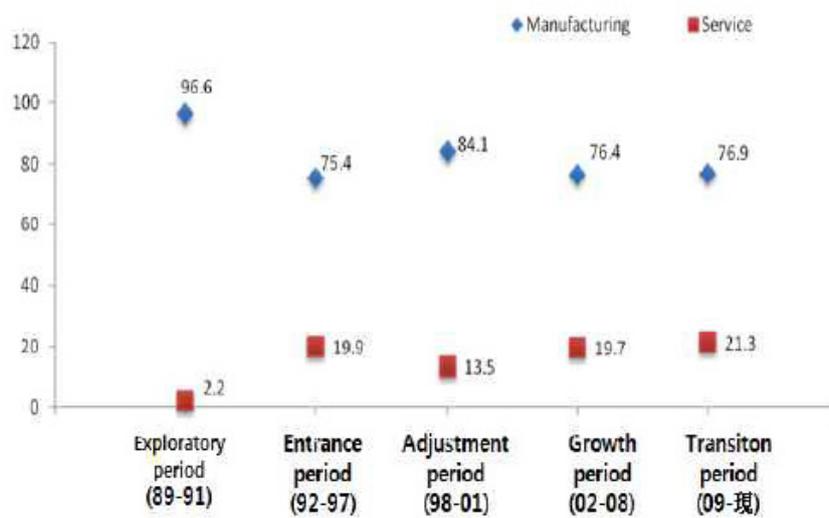
Source: China National Tourism Administration

2.2.3 Investment between China and Korea

Korea's investment has gradually transferred from labor-intensive light industries to heavy industries, such as IT, appliances, petro-chemicals, vehicles,

etc.⁹ Recently, a greater importance on the service industry has been observed (Figure 8).

Figure 8 Ratio of Manufacturing and Service Industries among Korea's Investment in China
Unit: %



Source: Korean Export-Import Bank

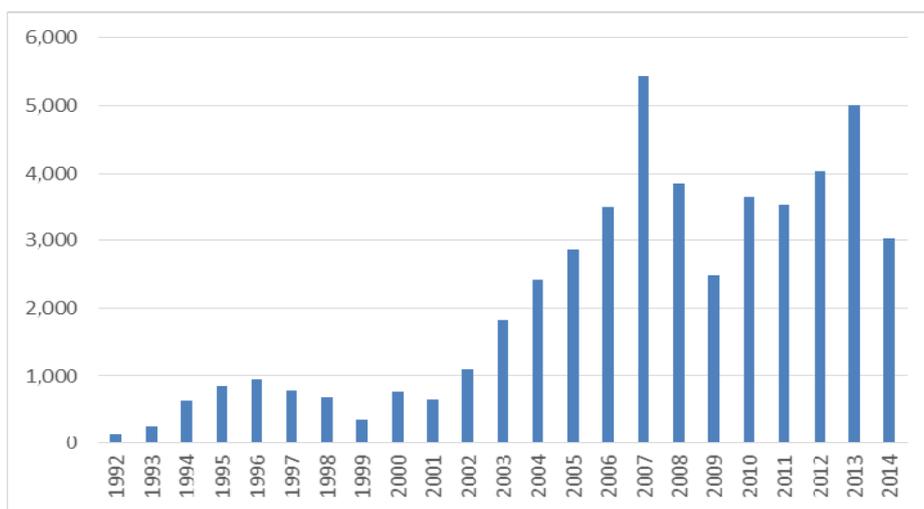
According to the China FTA Network, investment from Korean enterprises to China has reached more than US\$70 billion and direct investment from Chinese enterprises to Korea has also reached US\$1.8 billion. According to Figure 9, Korea's direct investment in China increased dramatically during 2000s. At the end of 2013, the amount of investment was US\$5,006 million. The huge potential

⁹ PiSoo Choi, Suyeon No and Min Suk Park (2012)

investment market promotes investment negotiations between both countries.

Figure 9 Korean Direct Investment in China

Unit: US\$ millions



Source: Korean Export-Import Bank

2.2.4 Trends in Economic Cooperation

China-Korea bilateral trade volume in 2008 exceeded US\$180 billion; 37 times more than that at the initial stage of establishing diplomatic relations. Even when the European and American economies experienced difficult times during the collapse of the dot-com bubble in 2000 and the financial crisis of 2009, Korea was

relatively stable and easily overcame these crises as a result of China's economic stimulation. In May 2010, during Premier Wen Jiabao's official visit to Korea, the two countries announced the wrap up of a China-Korea government-industry-university joint study in FTA with the Memorandum of Understanding signed by bilateral economic and trade ministers, in which both parties made a general consensus on issues regarding the feasibility of the China-Korea FTA, such as trade in goods, services, and investment. After 3-year negotiations, China and Korea officially signed the FTA on June 1, 2015, which is a major event in Chinese-Korean relations. This FTA also contains a variety of areas including e-commerce, competition policies, and environment; and has introduced the content of local economic cooperation for the first time. The two countries will launch the second stage of negotiations to further liberalize the service and investment sectors within 2 years after the FTA's entry into force. The two countries will continuously practice cooperation in all fields and the bilateral economy will enjoy high complementarity and integration, which will fuel the economies of both countries, as well as Asia and even the world.

2. 3 Conclusions on China's Traditional FTA Strategy

The FTAs can be broadly divided into two models. One is the EU model, which focuses on both economic and political integration. The other is the North American Free Trade Agreement (NAFTA) model, which considers economic integration only. China has chosen to take the latter model. Generally, a Chinese agreement would commence on trade in goods only, and would only be expanded to the service and investment sectors provided that the commitments on goods had been substantially implemented. Besides this, China has been reluctant to include non-traditional trade-related issues, such as environment protection, competition policy, and labor standards.¹⁰

The Chinese government has its own criteria for selection of negotiating partners. China does not actively select its major trading partners, European Union and United States (U.S.), but rather seeks some economies with a relatively small-scale of trade to start FTA negotiations, in order to accumulate experience in negotiations, and gradually adapt to the FTA's impact on China's economy.¹¹ In an

¹⁰ Henry Gao, *China's Strategy for Free Trade Agreements: Political Battle in the Name of Trade*, 2009

¹¹ Peng Huang, Woohyoung Kim, *FTA Strategy Analysis of China and Korea and the Feasibility of Sino-Korea FTA Negotiation*, Korea University Law Review, Vol.8:6, 2010

interview done in May 2007, Vice Minister Yi Xiaozhun of Ministry of Commerce (China) suggested specific criteria: “first, the country has a good political and diplomatic relationship with China; second, the country has complementary economic structures and trade patterns with China; third, the country either has a substantial domestic market or serves as an FTA hub in a particular region; fourth, the country shares common intentions on building FTAs with China”.¹² While economic consideration is an important factor in China’s decision to pursue FTAs, the main motivation seems to have been political considerations in this period.

In terms of the trade pattern, China usually starts negotiations with trade partners who mostly export raw materials, energy products, or agricultural products to China, while mainly importing textile products and electronic products from China. In terms of geographical distribution, China has tried to pursue a balance. In each region, China usually selects one trade partner to conclude FTA or enter into negotiations with, such as Europe (Iceland, Switzerland and Norway), America (Chile, Peru and Costa Rica), Middle East (Gulf Cooperation Council), East Asia (Korea, Hong Kong and Macau), Southeast Asia (ASEAN and Singapore), South

¹² Henry Gao (2009)

Asia (Pakistan and India), and Ocenia (New Zealand and Australia).¹³

¹³ *Ibid*

Chapter 3 Comparative Analysis

3.1 Trade in Goods

The Agreement on Trade in Goods is one of the most important parts in an FTA, as it directly affects the volume of exports and imports, the domestic market, as well as the economic benefits between parties. Generally speaking, the elimination of tariffs is the most significant and inevitable factor in the goods sector. The coverage and amount of tariff elimination directly indicate the level of economic openness in an FTA. Also, agricultural products are considered as highly sensitive products and play a significant role in national political security. That is why import liberalization of agricultural products has been the most difficult sector to find agreements on in the WTO and various FTA negotiations. Furthermore, non-tariff measures are defined as policy measures other than ordinary customs tariffs, which can have an economic effect on international trade in goods, changing quantities traded, prices, or both (UNCATAD/DITC/TAB/2009/3). Thus, this Chapter will compare the provisions and data in terms of these three parts between the China-New Zealand FTA and the China-Korea FTA, then explain the

reasons behind these changes.

3.1.1 Elimination of Tariff

While the elimination of customs duties “at the date of entry into force of this Agreement” in Article 7 of the China-New Zealand FTA, Article 2.4.1 of the China-Korea FTA puts more emphasis on “progressively” reducing or eliminating its customs duties on originating goods of the other Party. China and Korea show conservative and cautious attitudes in the process of tariff elimination in the latter FTA. However, the China-Korea FTA stipulates more details to guarantee the implementation of unilaterally accelerating the elimination of customs duties. After completing the required procedures for amendments of entry into force, a Party shall notify the other. The date or period of entry into force for such amendments shall be specified in the diplomatic note or within 90 days of such notification. Neither Party can withdraw any concessions granted by the Party related to the unilateral acceleration (Article 2.4.3). The instructions showing the processes and period of unilateral acceleration without withdrawals promotes further tariff reduction or elimination between China and Korea.

According to Table 3, on the Chinese side, tariff elimination covers 24.3% of

New Zealand imports; in contrast, tariff elimination covers 63.6% of Chinese imports on the New Zealand side in the China-New Zealand FTA. The tariff elimination schedule can take up to 20 years for 97.2% products from New Zealand and 100% from China, respectively. On the other hand, the China-Korea FTA shows the removal of customs duties over a transitional period. 8.43% of Korean products imported to China and 16.21% products from China utilize zero tariffs at the date of entry into force of the China-Korea FTA. Both parties will remove tariffs on more than 90% of goods traded between the two countries over the next 20 years (Table 4). Obviously, there are more limitations in the latter FTA in terms of tariff reduction. Similarly, compared with Korea's other FTAs, this is not an impressively high figure.

Table 3 Process of Elimination of Tariff in the China-New Zealand FTA

Implementation Period	Chinese side	New Zealand side
At the date of entry into force	24.3%	63.6%
Before 2016.1.1		100%
Before 2019.1.1	97.2%	

Source: China FTA Network

Table 4 Process of Elimination of Tariff in the China-Korea FTA

Implementation Period	Chinese side	Korean side
At the date of entry into force	8.43%	16.21%
Within 20 years	91%	92%

Source: China FTA Network

Although the maintenance of effective global trade rules should reduce conflict between the regional arrangements, the fact is that the countries with the highest trading volumes have rejected openness most strongly. As shown in Table 5 and 6, the total trade volume between China and Korea is up to over 22 times more than bilateral trade between China and New Zealand. Zero tariffs would pose more dangers and dramatic changes to China and Korea. Thus, both governments choose to progressively reduce or eliminate its customs duties.

Table 5 Trade Volume between China and New Zealand (from 2009-2013)

Unit: US\$ millions

	2009	2010	2011	2012	2013
China's imports	2477.07	3763.10	4980.97	5810.23	8253.21
China's exports	2085.36	2476.51	3736.69	3864.56	4131.68
Total	4562.43	6239.61	8717.66	9674.79	12384.89

Source: UN comtrade

Table 6 Trade Volume between China and Korea (from 2009-2013)

Unit: US\$ millions

	2009	2010	2011	2012	2013
China's imports	102551.71	138339.22	162716.84	168728.40	183072.92
China's exports	53679.88	68766.31	82920.31	87673.76	91164.95
Total	156231.59	207105.5	245637.2	256402.2	274237.9

Source: UN comtrade

3.1.2 Agriculture Sector

“Export subsidies” refers to subsidies contingent upon export performance, including the export subsidies listed in Article 9 of the WTO Agreement on Agriculture.¹⁴ Article 10 of the China-New Zealand FTA explains elimination of export subsidies for agricultural goods:

...

2. The Parties share the objective of the multilateral elimination of export subsidies for agricultural goods and shall work together toward an agreement in the WTO to eliminate those subsidies and prevent their reintroduction in any form.
3. Neither Party shall introduce or maintain any export subsidy on any agricultural good destined for the territory of the other Party.

¹⁴ Article 1(e) of the WTO Agreement on Agriculture

Export Subsidies hinder fair competition and distort trade practices. Thus, such provisions would certainly have a dramatic effect on promoting the trade of agricultural goods between two countries.

In addition, Article 13 “Special Agricultural Safeguard Measures” list the rights and obligations of China under this Agreement. For instance, if the volume of imports from New Zealand exceeds the level set out in Table Two of Annex 2, China may apply a special safeguard measure. However, any special safeguard measure has to be applied in a transparent manner and may not be applied to the same product protected under Article XIX of General Agreement on Tariffs and Trade (GATT) 1994 and the WTO Agreement on Safeguards, or under Section 2 of Chapter 6 of this Agreement. Also, Article 14 “Mid-Term Review Mechanism” successfully protects agricultural products, especially the Chinese dairy industry. In Annex 3, the Committee on Trade in Goods shall conduct a review after 2013 and before the 2014 scheduled tariff reduction to check the impacts on the Chinese dairy industry after increased imports due to tariff reductions. It is noted that both provisions would guarantee and promote sustainable development of agricultural trades between two countries.

In contrast, no specific provision directly refers to mutually sensitive products in the China-Korea FTA, such as agricultural products and the manufacturing industry. The negotiating parties have different or asymmetrical offensive interests.

According to Table 7 and 8, the New Zealand government reduced tariffs on 76.3% of agricultural imports in 2008 and promised to expand to 100% by 2012. The Chinese government will cut tariffs for imported Korean agricultural products with 69.8% of agricultural products within 10 years, compared with 95% in the China-New Zealand FTA. However, the Korean government will remove tariffs on only 31.3% of agricultural products within 10 years.

Table 7 Openness of Agricultural Products between China and New Zealand

Agricultural Products	Schedule of Elimination of Tariff							Others	Total
	At the date of entry into force	Within 5 years	Within 6 years	Within 9 years	Within 10 years	Within 12 years	Subtotal		
China	15.5%	62.3%	13.4%	2.7%	0.7%	0.4%	95%	0.5%	100%
New Zealand	76.3%	23.7%					100%		100%

Source: 어명근, “한·중 FTA 농업분야 동향과 전망, 한국농촌경제연구원”, 제 17 호, 2012

Table 8 Openness of Agricultural Products between China and Korea

Schedule Countries	At the date of entry into force	Within 10 years
China	19.30%	69.80%
Korea	9.96%	31.30%

Source: China FTA Network

Compared with the China-New Zealand FTA, the potential agricultural trade volume between China and Korea is much bigger, and the latter FTA would affect a wider area. However, there are several reasons for imposing many limitations in importing agriculture goods to Korea. First, Korea's domestic agricultural food products lack international competitiveness, with many issues such as severe labor shortages, less cultivated areas, and gap in income between farm and urban households. Thus production costs are much higher than in China.¹⁵ Looking at the results of the revealed comparative advantage (RCA) for 25 primary agricultural products, China had an advantage for 20 products, while Korea had an advantage

¹⁵ Peng Huang, Woohyoung Kim (2010)

in only 5.¹⁶ Second, Korea is emerging as a leading importer of agricultural products and it is difficult to develop the agricultural industry by itself. According to Table 9, the amount of imports is much larger than exports on the agricultural sector in recent years. Considering the fact that China and Korea in geographical location are close, and that China's agricultural products have greater advantages in natural conditions and cheap labor costs, importing Chinese agricultural products would definitely damage Korea's domestic markets. Last, food sustainability is directly related to national security and public health. Thus, it is obvious that the Korean government considers the agricultural sector as a very sensitive issue and will implement a high-level market protection policy for a long time.

Table 9 Korea's Agricultural Products Imports and Exports from the World

Unit: US\$ millions

	2010	2011	2012	2013	2014
Korea's import	1945.74	2462.90	2363.69	2747.02	2658.10
Korea's export	466.60	816.12	654.29	374.70	707.70

Source: 농수산식품수출지원정보

¹⁶ Keun Eor Myong, *Plan for Agricultural Sector in Korea-China FTA*, KIEP Policy Seminar, July 14th 2011

On the other hand, agriculture and animal husbandry is an important part of China-New Zealand cooperation. New Zealand provides safe, high quality agricultural products around the world while China has a huge consumer market. Thus, an FTA that deals with the agriculture sector will benefit both parties and create more potential market for bilateral cooperation.

3.1.3 Non-tariff Measures¹⁷

One of the most important aspects of the FTA concerns the elimination of Non-Tariff Barriers (NTBs). Both FTAs mention that a Party shall not adopt any non-tariff measures to promote bilateral trade (Article 11 of China-New Zealand FTA and Article 2.12 of China-Korea FTA). However, the China-Korea FTA emphasizes the “transparency” of its non-tariff measures and provides a reasonable interval between the publication and effective date of such measures. These provisions give clearer instructions when implementing non-tariff measures.

Moreover, as shown in Table 10, the China-Korea FTA incorporates more fundamental WTO rules on non-tariff measures, such as import and export

¹⁷ Non-tariff measures related to sanitary and phytosanitary measures and technical barriers to trade are addressed in Chapter 7-8 of China-New Zealand FTA and Chapter 5-6 of China-Korea FTA respectively. They shall not be subjected to the provisions of this Section.

restrictions, import licensing, tariff rate quota administration, administrative fees and formalities, etc, while there are fewer provisions related to non-tariff measure in the China-New Zealand FTA. Considering the significant role of non-tariff measures in bilateral trade, the Chinese and Korean governments explicitly stipulate the rights and obligations of each Party in the non-tariff measures section, which will definitely guarantee both parties' economic interests and promote further economic development.

Table 10 Comparison of the Provisions in Terms of Non-Tariff Barriers

	China-New Zealand FTA	China-Korea FTA
Administrative Fees and Formalities	O	O
Establishing of Working Group/Contact Points	O	O
Agricultural Export Subsidies	O	X
Special Agricultural Safeguard Measures	O	X
Consumer Production	O	X
State Trading Enterprises	X	O
Import Licensing	X	O
Import and Export Restrictions	X	O
Tariff Rate Quota Administration	X	O
Designation of Testing Laboratories	X	O

* Article 2.8-2.15 of China-Korea FTA, Prepared by author

3.2 Trade in Service

Services have emerged as an important part of world trade. At the same time, they carry messages and facilitate transactions that affect local economic, political, and cultural arrangements. This Chapter will compare the scope and openness of trade in services, and the method of scheduling service commitments between the two FTAs. They imply the basic characteristics of each FTA and build the fundamental structure for the service segment. Then it will introduce the Most-Favoured-Nation treatment (MFN) in the China-New Zealand FTA and co-production in the entertainment industry in the China-Korea FTA. These will help to comprehensively explain the difference of the two representative FTAs and the change of China's attitude towards trade in service.

3.2.1 Scope of Trade in Services

Article 8.2.2 of China-Korea FTA states that the Trade in Service Chapter shall not apply to: (c) cabotage in maritime transport services; and (e) financial services as defined in Article 9.14. However, maritime transport and financial

services are covered by the GATS.¹⁸ Furthermore, Article 8.2.3 of China-Korea FTA mentions that a Party has the right to regulate the entry of natural persons of the other Party, or their temporary stay in its territory. On the other hand, all these provisions are not included in the China-New Zealand FTA. It is noted that the China-Korea FTA expands the scope of limitation and imposes regulations related to the movement of natural persons in the service sector.

According to Table 11, although Korea and China are more competitive than New Zealand in the service sectors, trade in services between Korea and China has been trivial compared to trade in manufactured goods. What is more, the competitiveness of China's own service sector is lower than Korea's.¹⁹ Thus, it is easy to understand why the Chinese government has been reluctant to liberalize the service sectors in the case of the China-Korea FTA. However, with a large share of trade in services and the dramatic increase showed in Table 11, China and Korea maintain the potential for future expansion in services trade.

¹⁸ Annex on Negotiations on Maritime Transport Service, Second Annex on Financial Services of the GATS

¹⁹ Choi Nakgyoon, *Impacts and Main Issues of the Korea-China FTA*, Korea's Economy 2012, the Future of Korean Trade Policy

Table 11 World Trade in Services by Country (Regions) for 2013

Unit: US\$ billions

Countries	Export	Share (%)	Year-on-year change (%)				Import	Share (%)	Year-on-year change (%)			
			2005-2013	2011	2012	2013			2005-2013	2011	2012	2013
	2013						2013					
China	211	4.6	14	9	8	9	329	7.6	19	23	18	17
Korea	112	2.4	11	9	17	1	106	2.4	8	5	5	1
New Zealand	11	0.2	3	12	-1	13	12	0.3	5	17	2	10

Source: International Trade Statistics Database, WTO. Ministry of Commerce, P.R. China

3.2.2 Degree of Openness

There are several standards to classify specific elements, depending on whether they simply mirror GATS provision (known as “GATS-neutral”), go beyond GATS provisions (“GATS-Plus”) or fall short of GATS provisions (“GATS-Minus”).²⁰ According to Table 12, the level of openness increases from GATS-Minus to Doha Development Agenda-Plus (DDA-Plus). DDA-Plus or GATS-Plus means a higher level of liberalization of trade in services in FTAs.

²⁰ 한-중 FTA 상세설명자료, 관계부처합동, March 2015

Table 12 Classification of Openness Level in Trade in Services in FTAs

	Level of openness		Method of recording
GATS-Minus	GATS-Minus	Lowest	GATS O, FTA X
DDA-Minus		Low	GATS X, DDA O, FTA X
GATS	Average		GATS=DAA=FTA
DDA	GATS-Plus	High	DDA>GATS, FTA=DDA
DDA-Plus		Highest	DDA>GATS, FTA>DDA

Source: 여지나, 박미숙, "중-홍콩 CEPA 서비스 양허안 분석을 통한 한.중 FTA 서비스 협상전략 연구", 대외경제정책연구원, 연구자료 12-03, 2012

- GATS O, FTA X means that specific commitments are recorded in GATS, not in the FTA.
- GATS X, DDA O, FTA X means that specific commitments are recorded in DDA, not in GATS and FTA.
- GATS=DAA=FTA means that specific commitments are recorded at the same level in GATS, DAA and FTA.
- DDA>GATS, FTA=DDA means that specific commitments recorded in DDA have a higher level of openness than the commitments recorded in GATS, but are at the same level with the commitments recorded in the FTA.
- DDA>GATS, FTA>DDA means that specific commitments recorded in the FTA have a higher level of openness than the commitments recorded in DDA, and such commitments recorded in DDA have a higher level of openness than the commitments recorded in GATS.

The China-New Zealand FTA is considered a high level FTA with much progress in service sectors. However, there are only three sectors evaluated as

DDA+ level, which is less than the 9 sectors in the China-Chile FTA, 8 sectors in the China-Pakistan FTA and 4 sectors in the China-Peru FTA (Table 13). In contrast, China and Korea made agreements to open all their service markets at DDA-Plus level.²¹ Thus, the China-Korea FTA is more open than the China-New Zealand FTA in terms of the openness level of trade in service.

Table 13 Openness Level in Trade in Services in China's Established FTAs

	New Zealand	Chile	ASEAN	Singapore	Pakistan	Peru	Costa Rica
GATS-	0	34	38	0	0	0	5
DDA-	5	3	0	0	0	0	5
GATS	49	16	10	48	48	49	44
DDA	6	6	12	12	10	10	3
DDA+	3	9	2	3	8	4	3
Total	62	67	62	61	66	63	62

Source: 여지나, 박미숙, "중-홍콩 CEPA 서비스 양허안 분석을 통한 한.중 FTA 서비스 협상전략 연구", 대외경제정책연구원, 연구자료 12-03, 2012

²¹ Ibid

3.2.3 Way of Scheduling Service Commitments

There are two approaches to scheduling service commitments: a negative list approach and a positive list approach. As explained by Cooper, Jurenas, et al., “the positive list requires each Party to specifically identify the types of services for which it will provide national treatment and market access to providers from the other Party”. This means that sectors not mentioned in the list are not liberalized. In contrast, “the negative list approach would liberalize all sectors and services except those explicitly stated in the agreement”.²² It is believed that a negative list approach usually leads to a broader market access and promotes greater transparency. Obviously, a negative list approach is more comprehensive in expressing services commitments than a positive list approach.

In the China-Korea FTA, both parties agreed to first introduce “a positive list approach” for their bilateral trade in service areas, then switch to “a negative list approach” within 2 years after entry into force of the Agreement.²³ It will be the first time that the Chinese government used “a negative approach” to scheduling

²² Cooper, W., Jurenas, R., Platzer, M., Manyin, M.,

²³ 한-중 FTA 상세설명자료, 관계부처합동, March 2015

service commitments. It implies that China has changed to a positive attitude towards further liberalization in the service sector.

3.2.4 Most-Favoured-Nation Treatment

The China-New Zealand FTA includes a reciprocal MFN provision covering the construction, environmental, engineering, computer, and tourism services (Annex 9 of Article 107). Article 107 of China-New Zealand FTA clarifies that:

1. In respect of the services sectors listed in Annex 9, and subject to any conditions and qualifications set out therein, each Party shall accord to services and service suppliers of the other Party treatment no less favourable than that it accords to like services and service suppliers of a third country.
2. Notwithstanding paragraph 1, the Parties reserve the right to adopt or maintain any measure that accords differential treatment to third countries under any free trade agreement or multilateral international agreement in force or signed prior to the date of entry into force of this Agreement.

...

The MFN provision means that services exporters will automatically receive the benefit of commitments that each country makes with a third Party if more liberal provisions are included in future FTAs. This will help to guarantee each country's competitive position for the supply of services in the other country. However, the MFN obligation does not apply to treatment granted by either

country to third countries under any previous FTA. In the case of the China-New Zealand, the MFN clause was initially included in the service sector among China's established FTAs. However, unlike Article 107 of the China-New Zealand FTA, the China-Korea FTA does not contain the MFN clause in the service chapter. Thus, the latter FTA seems more cautious in respect of MFN in trade in service.

3.2.5 Co-production on Film, TV drama, Documentary and Animation

Some new service industries which the Chinese government has not included in the GATS and China-New Zealand FTA are included in the China-Korea FTA, such as co-production on film, TV drama, documentary, and animation services. Annex 8-C states that co-production on TV dramas, documentaries, and animations are encouraged for broadcasting purposes. While Article 2 of the Annex 8-B clarifies the benefits of co-production on film, making co-production films has to meet the conditions according to Article 3 and 4 of this Annex. For instance, co-production films must receive provisional approval before they are put into production and obtain final approval after completion from the respective competent authorities of both Parties. Moreover, Article 4 recommends that the

proportion of performing, technical, craft, and financial contributions of each co-producer shall be between 20 to 80 percent of the final creative contribution to the co-production. The rights and obligations ensure promotion of co-production development between the two countries.

The new provision is set to spur collaboration in the entertainment industry between China and Korea. Considering the rising income level and popularity of Korean pop culture in China, the Korean government can benefit by opening up these culture-related segments of the Chinese service sector. Co-production is seen as a way to access international markets and increase the quality of production, as well as providing good networking opportunities with an enormous potential market. It is highly probable that China will systematically and substantially open its service market.

3.3 Trade in Investment

Foreign direct investment (FDI), as a key component of economic globalization, plays a special role in stimulating the growth of countries'

competitiveness. It is a fact that China's economy has developed into a stage notable for a dramatic increase in foreign investment. China has accumulated considerable experience in absorbing foreign investment, and in formulating laws and regulations on foreign investment. Obviously, the Chinese government tries to improve investment agreements with a broader range of national treatment, more transparent regulations, as well as a faster dispute resolution process. This Chapter will compare national treatment, MFN treatment, transparency and settlement of investment dispute between the two FTAs in the investment sector as shown below:

3.3.1 National Treatment

National treatment is the obligation to treat foreign investors or their investments no less favorably than national investors in similar situations. It guarantees that there is no discrimination between foreigners and nationals. Pre-establishment (pre-entry) and post-establishment (post-entry) are the two types of national treatment. Pre-establishment expands the rights of national treatment before investment establishment, and focuses more on admission for foreign investors or their investments. In contrast, post -investment means that a Party shall admit investments by the other Party's investors in accordance with its domestic

laws and regulations.

The China-Korea' investment agreement states the national treatment as below (Article 12.3.1):

Each Party shall in its territory accord to investors of the other Party and to covered investment treatment no less favorable than that is accords in like circumstances to its own investors and their investments with respect to investment activities.

While China and Korea carry out the investment negotiations on the basis of pre-establishment national treatment,²⁴ the China-New Zealand FTA specifies the application scope of national treatment, including management, conduct, operation, maintenance, use, enjoyment or disposal (Article 138). Admission and expansion of investment are not included. This means that the investment agreement merely includes the stage of post-establishment²⁵ in the former FTA. In respect to national treatment, the China-Korea FTA seems more liberal with free entry and removal of barriers to access.

²⁴ *China-Korea Free Trade Agreement Officially Signed*

²⁵ The post-establishment phase, i.e. the conditions of operation in the host country for enterprises owned or controlled by non-established or non-resident investors.

3.3.2 Most-Favoured-Nation Treatment

Both the China-New Zealand FTA and the China-Korea FTA corresponds to MFN treatment, promising each Party shall accord to investors of the other Party and their investments treatment no less favourable than that accorded to investments and associated activities by the investors of any non-Party. However, according to Article 139.3 of the China-New Zealand FTA, the Parties reserve the right to adopt or maintain any measure that accords differential treatment to third countries under any FTA or international agreement in force or signed before the date of entry into force of the China-New Zealand FTA.

China-New Zealand's investment agreement excludes fisheries and maritime matters in provisions of MFN treatment mentioned in Article 139.5, while the China-Korea FTA expands the limitation scope as below (Article 12.4.2):

- (a) Any customs union, free trade area, monetary union, similar international agreement leading to such union or free trade area, or other forms of regional economic cooperation;
- (b) Any international agreement or arrangement for facilitating small scale trade in border areas; or
- (c) Any bilateral and multilateral international agreements involving aviation, fishery and maritime matters including salvage.

A key concept in the liberalization of trade is the MFN principle. In theory, a multilateral agreement may lose its reason to exist without MFN. However, it is very difficult to fulfill the MFN obligation for individual members. Similarly, both FTAs show conservative attitudes toward MFN treatment in the investment sector.

3.3.3 Transparency

The two investment agreements mention transparency, while transparency provisions in the investment agreement of the China-Korea FTA is evaluated to be more progressive and concrete. Article 146 of the China-New Zealand FTA only inscribes that each Party shall publish international agreements pertaining to investment that the Party participates. However, Article 12.8 of the China-Korea FTA specifies more detailed regulations. Each Party shall “promptly” publish not only international agreements, but also laws, regulations, administrative procedures, administrative rulings, and judicial decisions of general applications if they pertain or affect investment activities. It also emphasizes the function of government, which shall make easily available to the public the names and addresses of the competent authorities responsible for such laws, regulations, administrative procedures and administrative rulings. The transparency regulation expands to a

broader scope and lays a solid foundation for good governance in the investment sector.

Transparency also means good communication: providing information in order for all parties to understand each other. Article 12.8.3 of the China-Korea FTA stipulates that each Party shall respond to specific questions and provide information pertaining to investment on the request by the other Party. Meanwhile, Article 12.8.4(b) provides opportunities to accept the public's comments related to investment and gives consideration to those comments before adoption of such regulations. This transparent communication builds trust and facilitates further investment liberalization.

On the other hand, the obligations of all Parties are listed in Article 12.8.2 and 12.8.5. It is necessary to provide a reasonable interval between publishing and entry into force when a Party introduces or changes the law or regulation related to investment. During the interval period, both parties are able to exchange information and advice as mentioned before. Besides, the provisions should protect confidential information without impeding law enforcement, damaging the public interest, and prejudicing privacy or legitimate commercial interests. All these

provisions guarantee the rights of contracting parties and ensure sustainable development.

3.3.4 Settlement of Investment Dispute

The dispute settlement mechanism is an important component and grants investors the right to use dispute settlement proceedings to protect their own interests. Articles 152-158 of the China-New Zealand FTA not only include basic procedures to solve conflicts such as consultation, negotiation, submission of a claim and awards, but also incorporate some special provisions to settle investment disputes. For instance, the tribunal provides the parties a reasonable opportunity to comment on and consider an objection or claim from parties after admissibility of claims in Article 154. Similarly, the tribunal has the right to request “a joint interpretation” of Parties for any provision pertaining to investment dispute in Article 155. In this way, it helps the tribunal accept comments from both Parties and better understand disputed problems. Furthermore, the Party must publish all tribunal documents to maintain transparency, except any confidential information in Article 157.

However, compared with the China-New Zealand FTA, the China-Korea FTA specifies more details and improves the efficiency of dispute settlement. While a written request for consultations and negotiations states the nature of the dispute in Article 152 of the China-New Zealand FTA, the nature of the dispute is explained in Article 12.12.2 of the China-Korea FTA as below: (a) the name and address of the disputing investor; (b) the obligations under this Chapter alleged to have been breached; (c) a brief summary of the facts of the investment dispute; and (d) the relief sought and the approximate amount of damages. It clarifies the content of a written request and provides guidance for Parties in accordance with regulations. In addition, the period of consultations and negotiations has been shortened from 6 months to 4 months. This accelerates the proceeding of the dispute settlement and minimizes bilateral damages.

3.4 Movement of Natural Persons

In the FTA negotiations, the movement of natural persons is considered an important issue. Hamilton and Whalley (1984) show the fact that global welfare can increase considerably if barriers to the movement of workers across borders are removed.²⁶ A recent study using a Computable General Equilibrium (CGE) model estimates that only a three per cent increase in developed countries' intake of temporary workers from developing countries could increase world income by US\$156 billion per annum, shared fairly equally between developing and developed countries.²⁷ In spite of the benefit for the host and home countries, the liberalization of the movement of service providers has so far been limited due to national security concerns. It is the first time that movement of persons has been included in China's FTA as a means of facilitating trade in the China-New Zealand FTA. Thus, it is very meaningful to evaluate the changes in attitudes toward this increasingly relevant topic 7 years on. This Chapter will compare the difference in

²⁶ Pradip Bhatnagar, *Liberalising the Movement of Natural Persons: A Lost Decade?*, Blackwell Publishing Ltd 2004

²⁷ Walmsley and Winters (2002), L. Alan Winters, Terrie L. Walmsley, Zhen Kun Wang and Roman Grynberg, *Liberalising Temporary Movement of Natural Persons: An Agenda for the Development Round*, Blackwell Publishing Ltd 2003

definition, scope, and visa facilitation pertaining to the movement of natural persons between the two FTAs.

3.4.1 Definition and Scope

The GATS does not provide help on defining the terms and scope regarding the movement of natural persons. Interpretation problems of Mode 4 seem more difficult than the other three modes.²⁸ The China-New Zealand FTA and the China-Korea FTA clarify the definitions for each category of natural persons. Article 127 of the China-New Zealand FTA applies to a specific group of persons, including business visitors, contractual services suppliers, intra-corporate transferees, skilled workers, and installers and servicers. However, the latter FTA narrows the scope to business visitors, intra-corporate transferees, and contractual services suppliers in Annex 11-A.

Domestic regulation policy constitutes an important barrier to the movement

²⁸ The definition of services trade under the GATS is four-pronged: a. from the territory of one Member into the territory of any other Member (Mode 1- cross border trade); b. In the territory of one Member to the service consumer of any other Member (Mode 2- consumption abroad); c. by a service supplier of one Member, through commercial presence, in the territory of any other Member (Mode 3- commercial presence); d. by a service supplier of one Member, through the presence of natural persons of a Member in the territory of any other Member (Mode 4- presence of natural persons), available at: https://www.wto.org/english/tratop_e/serv_e/cbt_course_e/c1s3p1_e.htm (Accessed : July 11th 2015)

of natural persons. Considering the potential problems for disparities in labor standards, and culture and citizenship, immigration officials always limit the scope and number of the movement of natural persons in accordance with domestic regulations to protect national security. Article 11.7 of the China-Korea FTA clarifies that members of the committee on the movement of natural persons includes “immigration officials”. As immigration officials are more familiar with domestic regulation, the committee members will definitely function better when they exchange information on the relevant laws and review the implementation and operation of this Chapter. This measure plays a significant role in facilitating the movement of natural persons considering each Parties’ different domestic standards.

3.4.2 Visa Facilitation

Specific provisions are introduced to facilitate the visa issuance in both FTAs. However, they are designed for different groups. Annex 11-B is designed for business visitors, intra-corporate transferees, and investors by extending the duration of stay, increasing the issuance of multiple-entry visas, and facilitating the procedure for issuing visas. On the other hand, visa facilitation is mentioned in

Annex 12 of the China-New Zealand FTA, in which the New Zealand government provides more facilitation to Chinese students and Chinese visitors with a group transit visa. The reason is that there is huge potential market for business development between China and Korea, while New Zealand focuses more on the education and tourism industries.

3.5 Dispute Settlement Mechanism

The dispute settlement system of the WTO is the central pillar to provide security and predictability in the multilateral trading system. Also, the dispute settlement mechanism is regarded as an essential element for the implementation and enforcement of the rules in FTAs. This mechanism makes the rules-based system more effective and plays an important role in ensuring the Parties' compliance with their obligations under the FTA and addresses disputes in an efficient way. Thus, the disputes do not escalate damage in the overall bilateral relationship and economic benefits. The dispute settlement mechanism is an inevitable topic when comparing the two FTAs. This Chapter will compare scope, consultation, good offices, mediation and conciliation, panel structure as well as suspension of concessions or other obligations as below:

3.5.1 Scope

The dispute settlement mechanism in Article 184 of the China-New Zealand FTA is designed to avoid or settle disputes between the Parties concerning their rights and obligations, “except for Chapter 14 (Cooperation)”. Article 20.2 of the China-Korea FTA expands the scope to “all disputes” between the Parties regarding the interpretation and application of the Agreement and specifies the definitions and application conditions of dispute settlement. Article 20.2 in the latter FTA specifies the scope of application in two situations: (a) a measure of the other Party is inconsistent with its obligations under this Agreement; or (b) the other Party has otherwise failed to carry out its obligations under this Agreement. If any case accords with the two situations, the Party can solve the dispute under this Agreement.

3.5.2 Consultations

Consultation is considered as a core principle and a priority through which both FTAs should make every attempt to arrive at a mutually satisfactory resolution of any dispute, if one is possible. Compared with the China-Korea FTA, the

China-New Zealand FTA gives more guidance in the process of consultation. Article 186.3 states that if a Party requests consultation, the other shall enter into consultation within a period of no more than:

- (a) 15 days after the date of receipt of the request for matters concerning perishable goods; or
- (b) 30 days after the date of receipt of the request for all other matters.

While there is no special regulation for perishable goods in the China-Korea FTA, the China-New Zealand FTA accelerates the time of entry into consultation, which protects the complaining Party' s economic interests concerning perishable goods with a short quality guarantee period.

In addition, in accordance with Article 186.7 of China-New Zealand FTA, the complaining Party may request the responding Party to make available for the consultations personnel of its government agencies or those with professional expertise. With professional knowledge, both Parties are easily able to exchange information on the disputed matter and find a resolution through consultation within a short period of time.

3.5.3 Good Offices, Mediation and Conciliation

Pacific settlement of disputes, like good offices, mediation and conciliation, has formed a significant part of international law and order. These peaceful means are included in both FTAs. The Parties can commence and terminate these dispute resolution methods voluntarily at any time. Compared with the China-New Zealand FTA, the China-Korea FTA emphasizes that the issues regarding non-tariff measures are included in the mediation. As mentioned before, non-tariff measures play a significant role in affecting international trade in goods. Article 20.5.4 of the China-Korea FTA initially encourages mediation particularly when non-tariff measures are considered to adversely affect both Parties, which effectively promotes market access of goods. It is in an expeditious way that both parties participate in the mediation procedure with the assistance of a mediator designated by the Parties to solve the dispute regarding non-tariff measures in accordance with Article 20.5.5.

3.5.4 Structure of the Dispute Resolution System

Considering the length and depth of provisions, the panel is a significant part

in the current FTA negotiations. Both the China-New Zealand and the China-Korea FTA stipulate detailed provisions on such issues with an analogous structure, including establishment, composition, functions, and rules of procedure of panel, suspensions or termination of panel proceedings, the findings of panel report, as well as implementation of final report of panel. This sector will compare some parts showed as below:

3.5.4.1 Establishment of Panel

According to Article 188 in the China-New Zealand FTA and Article 20.6 in the China-Korea FTA, if the consultations fail to resolve a dispute within 60 days (30 days for perishable goods in the China-New Zealand FTA, as it provides for expedited procedures for perishable goods) after the date of receipt of the request for consultations, the complaining Party may request in writing the establishment of a panel. There is no permanent system like the Dispute Settlement Body (DSB) that consists of the WTO's General Council. Thus, establishment of a Panel in the FTAs is automatic upon receipt of a request.

3.5.4.2 Composition of the Panel

Considering an equitable and fair settlement of disputes, the composition of the Panel is highly important. In accordance with Article 189.5 of the China-New Zealand FTA and Article 20.7.4 of the China-Korea FTA, all specialists with professional expertise and abundant experience shall be chosen strictly based on objectivity, reliability, and sound judgment, and be independent. It specifies in particular the qualifications of specialists in both FTAs. Such specialists could find problems and solve settlements in a speedy and effective way.

While the China-New Zealand FTA regulates that specialists shall comply with the *WTO Rules of Conduct for the Understanding on Rules and Procedures Governing the Settlement of Disputes*²⁹, the China-Korea FTA clarifies that specialists shall comply with a code of conduct established in Annex 20-B. Annex 20-B emphasizes independence, impartiality, objectivity, and fairness once more. It effectively preserves the integrity and impartiality of the dispute settlement mechanism. However, where a panelist is considered not to comply with the requirements of Annex 20-B, the Parties shall consult and then replace the panelist

²⁹ Document WT/DSB/RC/1 and Article 189.5(d) of China-New Zealand FTA, P109

(Article 20.7.5). It shows flexibility of panelist appointment and provides more regulations for panelist composition to ensure fairness and reliability of the dispute settlement mechanism.

Considering the difference stated in the composition of the Panel, Article 189.6 of the China-New Zealand FTA also strictly describes the qualification of the chair of the panel:

- (a) not be a national of either Party;
- (b) not have his or her usual place of residence in the territory of either Party; and
- (c) not have dealt with the matter in any capacity.

In Article 20.7.1 (d) of the China-Korea FTA, the Director General of the WTO is expected to designate the chair, if the Parties fail to appoint the chair within 30 days after the establishment of the panel. The Director General of the WTO should not be a national of either Party. Although the two FTAs list the qualification of the panel chair and the Director General of the WTO respectively, both provisions guarantee the specialists freedom to perform the tasks with the principle of equity and fairness.

3.5.4.3 Hearings

Both FTAs provide hearings to enhance the transparency of the panel procedure. Unlike the China-New Zealand FTA, where at least 1, but no more than 2 hearings before the tribunal are provided for in Article 191.1(a), The China-Korea FTA provides a very detailed procedure on hearings. The functions of the panel listed in Annex 20-A of the China-Korea FTA include the rights of convening a hearing or additional hearings, directing questions to either Party during a hearing, as well as arranging preparation and delivery of a transcript of each hearing. Also, all panelists shall be present during the “entirety” of any hearing. This will help panelists better understand the case and accelerate the proceeding of the dispute resolution. Furthermore, representatives of the Parties, advisers to the Parties, administrative staff, interpreters, translators, and panelists’ assistants may attend the hearing. The chair shall notify the Parties in writing of the determined date, time, and venue of the hearing. Having many participators in the hearings, as well as clear hearing schedules not only improve the efficiency of the panel procedure, but also guarantee the credibility of the panel report.

3.5.4.4 Panel report

Both FTAs stipulate that the final report of panel shall be final and binding on the Parties involved in the dispute (Article 194.4 of the China-New Zealand FTA, Article 20.11.7 of the China-Korea FTA). It means the judgment in the first instance is final without the procedure of appeal. It accelerates the process of dispute settlement and saves time and money. In addition, to guarantee equity and fairness, Article 194 of the China-New Zealand FTA clarifies that the panel report shall be drafted without the presence of the Parties and Article 20.11.6 of the China-Korea FTA requires the panel to take its decision by consensus. If this is not possible, the panel may make its decision by majority vote. Also, all opinions expressed in the panel report by individual panelists shall be anonymous. It not only enhances the credibility of the panel, but also facilitates the complaining Party and the Party complained against to voluntarily comply with the findings of the panel to effectively solve disputes among Parties.

3.5.5 Suspension of Concessions or Other Obligations

If the defending Party fails or refuses to implement the recommendations of

the panel within the reasonable period of time established,³⁰ the complaining Party may suspend the application of concessions or other obligations to the Party complained against. As suspension of concessions or other obligations are considered as temporary measures in both FTAs, Article 198.5 of the China-New Zealand FTA specifies the situations and conditions of suspension of concessions or other obligations: (a) the measure found to be inconsistent with this Agreement has been removed; or (b) the Party that must implement the arbitral tribunal's findings has done; or (c) a mutually satisfactory solution is reached. In any case in accordance with any condition mentioned above, the complaining Party shall recover concessions or other obligations, which protects economic benefits of both Parties and promotes sustainable cooperation.

It is necessary to clarify the level and scope of the suspension of concessions or other obligations to prevent excessive usage of rights. Article 198.3 of the China-New Zealand FTA and Article 20.15.4 of the China-Korea FTA regulate that

³⁰ Article 198.1 and 198.2 of China-New Zealand FTA and Article 20.15.1 of China-Korea FTA list the conditions of implementation of Suspension of Concessions or Other Obligations: (a) the Party complained against fails to bring the measure found to be inconsistent with the Agreement into compliance with the recommendations of the panel within the reasonable period of time established; (b) the Party complained against express in writing that it will not implement the recommendations; (c) no measure taken to comply exists, and the Parties fail to reach an agreement on compensation within 20 days (30 days in China-New Zealand FTA) after entering into negotiations for compensation.

any suspension of concessions and obligations shall be “equivalent” to the nullification or impairment of benefits. However, it is difficult to define the level of benefits or nullification among Parties. Thus, suspensions of concessions and obligations are not clearly judged.

Chapter 4 The Implications for China's Future FTA Strategy

4.1 Implications of Trade in Goods

4.1.1 Elimination of Tariff

While New Zealand is China's 55th largest trading partner with US\$14 billion in total, Korea emerges as China's 4th trading partner with US\$ 291 billion in total in 2014.³¹ It is the first time that China has signed an FTA with such a large trading partner. Although in terms of the opening level, the proportion of the liberalization of trade in goods between the two countries exceeds 90% of the tax items and 85% of the trade volume, China and Korea chose to progressively reduce or eliminate their customs duties to protect their own domestic markets. In general, a complementary structure benefits both Parties when trading with each other. However, it is inevitable when signing an FTA with a large trading partner that both parties will have a competitive relationship in several sectors. According to the

³¹ K-stat

China-Korea FTA, the level of tariff reductions and the schedule for their elimination vary by product. China excluded most of Korea's key export items to China in automobile parts, steel, petrochemical industries and electronic products from the tariff elimination list. Korea's sensitive agricultural products like rice, meat, vegetables and fruits will still keep their current tariff levels. According to the two tables below, China and Korea gradually reduce tariffs on their own sensitive products. Yet, both countries will remove more tariffs on agricultural and industrial products with which they have a respective competitive advantage. This helps China accumulate practical experience when concluding an FTA with a large trading partner and improve the ability to balance protection and openness of the domestic market.

Table 8 Openness of Agricultural Products between China and Korea

Countries \ Schedule	At the date of entry into force	Within 10 years
China	19.30%	69.80%
Korea	9.96%	31.30%

Source: China FTA Network

Table 14 Openness of Industrial Products between China and Korea

Schedule Countries	At the date of entry into force	Within 10 years
China	20.3%	71.7%
Korea	58.9%	90.0%

Source: China FTA Network

4.1.2 Liberalization of Agricultural Sector

In terms of the liberalization of sensitive products, the Korea-US FTA is one of the most representative cases. Table 15 shows a more detailed process for the elimination of tariffs in agricultural products, which is divided into 6 phases of gradual implementation. Compared with parts of products in the China-Korea FTA, the Korea-US FTA finally removes tariffs for “all” agricultural items. Furthermore, the FTA combines various methods to eliminate tariffs on agricultural products in accordance with Appendix 2-B-1, such as the first-come first-served exception, tariff elimination at the date of entry into force or within several years, tariff-rate quotas, and seasonal duties etc. Take the orange as an example. The FTA details two periods with different tariff elimination policies. From March to August

(non-distribution time for Korea's domestic oranges), Korea will reduce the tariff to zero within 7 years for oranges. However, the Korean government allocates import licenses and permits for the duty free quantity shown in Table 16 from September to February (distribution time for Korea's domestic oranges). If the import exceeds the in-quota quantity, an extra 50% tariff will be applied. It shows stricter tariff regulations during orange distribution times to protect the domestic market and economic interests. This case provides meaningful guidance for China's future FTAs. With a competitive advantage in the agricultural sector, China could apply seasonal duties to open partners' domestic market in FTA negotiations. In addition, increasing the in-quota quantity is also an effective way to progressively liberalize sensitive sectors.

Table 15 Openness of Agricultural Products between Korea and US

Unit: US\$100 millions

	Korea Agricultural Products				US Agricultural Products			
	Number of items	%	Incomes of imports	%	Number of items	%	Incomes of imports	%
At the date of entry into force	578	37.8	16.5	55.3	1,065	58.7	1.8	82
2-3 years	39	2.5	0.07	0.2	10	0.6	0	0.1
5 years	337	22	3.6	11.9	401	22.1	0.05	2
6-7 years	44	2.9	1.2	4.1	92	5.1	0.3	13.8
9-10 years	344	22.5	1.4	4.7	180	9.9	0.05	2
More than 10 years	157	10.2	4.7	15.7	65	3.6	0	0
Seasonal/current duties	16	1	2.1	7.2	-	-	-	-
Exception	16	1	0.26	0.9	-	-	-	-
Total	1,531	100	29.8	100	1,813	100	2.2	100

Source: 한-미 FTA 주요내용, 관계부처합동, June 2012

Table 16 In-quota Quantity of Orange Imported from US to Korea

Year	Quantity (Metric Tons)
1	2,500
2	2,575
3	2,652
4	2,732
5	2,814

After year 5, the in-quota quantity increases by 3% per year, compounded annually

Source: Appendix 2-B-1 Korea of Korea-US FTA

4.1.3 Reduction of Non-Tariff Barriers

In general, it is more difficult to make agreements on the reduction of NTBs in FTA negotiations. Research shows that the main source of FTA's trade creation effects is the reduction of NTBs rather than the reduction of tariff rates.³² Thus, it is a very significant and inevitable issue. Compared with the China-New Zealand FTA, the China-Korea FTA clearly regulates the rights and obligations of Parties

³² Kazunobu Hayakawa, Fukunari Kimura, *How Do Free Trade Agreements Reduce Tariff Rates and Non-tariff Barriers?*, Institute of Developing Economies, IDE Discussion Paper No. 446, February 2014

and comprehensively includes more parts in this sector, including State Trading Enterprises, Import Licensing, Tariff Rate Quota Administration, and Designation of Testing Laboratories. These provisions will definitely reduce the limitation of non-tariff measures which pose adverse effects to bilateral and international trade. For that matter, the Chinese government gives more consideration to the transparency of non-tariff measures and liberalization of NTBs.

4.2 Implications of Trade in Services

4.2.1 Expanding High Value-added Services Exports

Currently, China is changing the pattern of its services exports from labor and natural resource-intensive services to high value-added services. In the China-New Zealand FTA, China made higher level commitments in business, environment, and transportation services than in its WTO commitments, and New Zealand expanded its commitments in business, construction, and educational environment services than its commitments in the WTO. In the China-Korea FTA, China still focuses on high value-added sectors, including law, construction, engineering,

transportation, environment and entertainment.³³ It has been noted that the Chinese government is trying to improve their competitive advantage in the service industry, open the domestic service market, and increase services exports in the world market.

4.2.2 Cooperation in Film Industry

China is currently experiencing explosive growth in the movies markets with abundant film investment budgets. Meanwhile, Korea has become more competitive due to the popularity of Korean pop culture and having a high level of film making technology. These factors provide the best opportunity to cooperate aggressively to co-produce films between China and Korea. Although China with less competitiveness is reluctant to liberalize the service sectors, there are signs that China will facilitate cooperation and liberalization in this emerging industry. As mentioned before, Korea has a great competitive advantage in the service sector. However, the Chinese government has chosen an effective way to solve this problem. After the establishment of the China-Korea FTA, Korean-made films or co-productions can be released in China without limitation on the number of film

³³ 한-중 FTA 상세설명자료

imports if the films accords to regulations in Annex 8-B of the China-Korea FTA. The two Parties will co-invest in the films and undertake both benefits and risks. In this way, it effectively changes the competitive structure to a complementary structure, which benefits both Parties and promotes further liberalization and collaboration in other sectors.

4.2.3 Further Liberalization of Trade in Service

Although China takes a conservative approach to reforming the service sector due to considerations for their economic security and stability, it has paid more attention to developing this area rather than focusing only on manufacturing for industrialization.³⁴ The volume of services trade exceeded over US\$500 billion in 2014, which makes China one of the largest traders in services. China has grown gradually in the services trade by actively optimizing trade structures and expanding high value-added services exports.³⁵ China and Korea have agreed that liberalization for the rest of the services and investment sector will be discussed in follow-up negotiations in the “negative” list approach two years after the FTA’s

³⁴ Yang Jiang, *Australia-China FTA: China’s Domestic Politics and the Roots of Different National Approaches to FTAs*, Australian Journal of International Affairs Vol.62, No. 2, June 2008

³⁵ *China Statistics of Trade in Services 2014*, Ministry of Commerce People’s Republic of China

coming into effect. Considering a large volume of trade in services and the important role of service trade in the multilateral and regional trade talks, China is willing to progressively open service markets.

4.3 Implications of Trade in Investment

4.3.1 Huge Growth Potential in Investment Sector

According to Table 17, China's outward investment and investment stock increase dramatically over ten years, from 2003 to 2013. In the Report on Statistics of China's Outbound FDI 2013, the first time that the Chinese investment outflow exceeded US\$ 100 billion was in 2013, ranking it one of the top three investors for two years, and China's investment stock has covered more countries and regions, and moved up its ranking by two positions.³⁶ On the other hand, since 2003 China has overtaken the United States as the top destination for FDI,³⁷ and China became

³⁶ *Joint Report on Statistics of China's Outbound FDI 2013 Released*, Ministry of Commerce People's Republic of China, September 12th 2014, available at: <http://english.mofcom.gov.cn/article/newsrelease/significantnews/201409/20140900727958.shtml> (Accessed: July 15th 2015)

³⁷ *China Overtakes US for Foreign Direct Investment*, BBC News, January 30th 2015, available at: <http://www.bbc.com/news/business-31052566> (Accessed: July 15th 2015)

the second largest recipient of FDI with US\$124 billion in 2013.³⁸ According to the data shown above, China as one of the largest outbound and inbound investors maintains huge growth potential in the investment sector. Thus, there is no doubt that China will continually liberalize trade in investment to spur this emerging market.

Table 17 China Outbound FDI (2002-2013)

Unit: US\$ billions

Year	Amount of money	Year-on-year change (%)	Stock
2002	2.70	-	29.90
2003	2.85	5.6	33.20
2004	5.50	93	44.80
2005	12.26	122.9	57.20
2006	21.16	43.8	90.63
2007	26.51	25.3	117.91
2008	55.91	110.9	183.97
2009	56.53	1.1	245.75
2010	68.81	21.7	317.21
2011	74.65	8.5	424.78
2012	87.80	17.6	531.94
2013	107.84	22.8	660.48

Source: Report on Statistics of China's Outbound FDI 2013

³⁸ *World Investment Report 2013: Global Value Chains: Investment and Trade for Development*, United Nations Conference on Trade and Development, United Nations Publication

4.3.2 Further Liberalization and Cooperation of Trade in Investment

As Table 18 shows below, China made US\$91.73 billion investment in developing economies, up 31% year on year, accounting for 85% of China's total outbound FDI in 2013. According to Figure 10, China's investment covers various sectors of the national economy. The main five industries, including leasing and business services, finance, mining, wholesale and retailing and manufacturing, amounted to US\$ 548.6 billion, accounting for 84% of China's total outward FDI. What's more, Asia is the top destination for China's FDI, accounting for 70.1% of China's total outbound FDI.³⁹ Thus, we may conclude that China characteristically focuses its outbound FDI investments in developing Asian, and on five main sectors.

³⁹ *Report on Statistics of China's Outbound FDI 2013*, jointly released by the Ministry of Commerce, the National Bureau of Statistics and the State Administration of Foreign Exchange, September 9th 2014

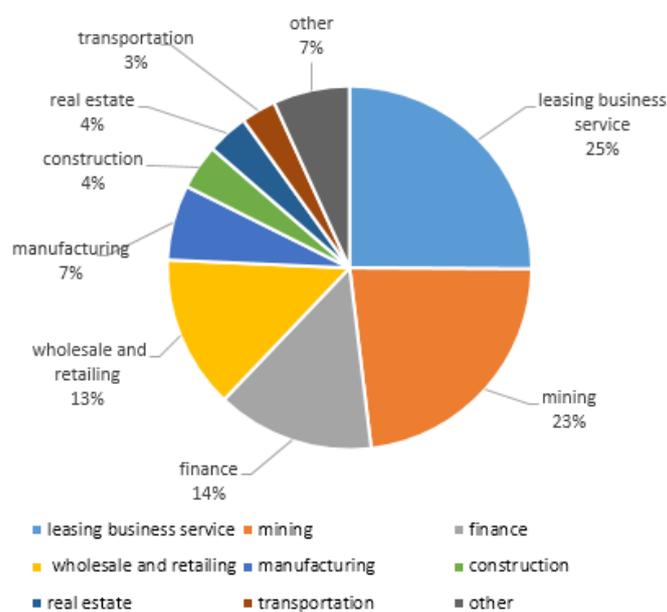
Table 18 Proportion of China Outbound FDI in 2013 by Economic Classification

Unit: US\$ billions

Economic Entity	Amount of money	Year-on-year change (%)	Proportion (%)
Developed Economies	13.83	2.4	12.8
Developing Economies	91.73	31.0	85.1
Transition Economies	2.28	-46.8	2.1
Total	107.84	22.8	100

Source: Report on Statistics of China's Outbound FDI 2013, Classification of economic entity sources from World Investment Report announced by United Nations Conference on Trade and Development

Figure 10 Proportion of China Outbound FDI in 2013 by Industry



Source: Report on Statistics of China's Outbound FDI 2013

It is a fact that since 2009 China has become the biggest host country of Korea's outward investment.⁴⁰ While Korea is not considered as one of the most important host countries of China's outward investment based on the characteristics mentioned above, compared with the New Zealand FTA, the China-Korea FTA has reached higher levels of openness in the investment sector with protection of investment of the other Party, broader range of national treatment, more transparent regulations, as well as faster dispute resolution process. As mentioned before, China and Korea will conduct investment negotiations on the basis of pre-establishment of national treatment and the negative list mode to further liberalize the investment sector. From this point of view, China's investment strategy has expanded from developing countries to developed countries with larger bilateral investment accounts. Although investment in developing countries means lower costs, there is no doubt that investing in developed countries can guarantee high quality investments and enjoy a liberal investment environment. Furthermore, Korea has pursued an ambitious strategy by concluding FTAs with many countries and organizations to develop a global FTA network. Its network

⁴⁰ Wei Yihao, Wu Guowei, *A Study on the Possible Effect of China-Korea FTA*, 2010

covers 60% of the global economy.⁴¹ Thus, the Chinese government could invest in Korean production and export to Korea's FTA members with a reduction or elimination of tariffs through Korea's other FTAs to enjoy preferential treatment. In addition, China could promote mutual investment among the FTA member states to stimulate bilateral economic increases and growth of countries' competitiveness. Obviously, China will expand the degree and scope of investment liberalization in the future FTAs.

4.4 Implications of Movement of Natural Persons

4.4.1 Accelerating Mutual Recognition

As noted above, domestic regulation policy restricts the movement of natural persons. It is very necessary to develop common international standards in relevant service trades and professions. According to Article 11.7 of the China-Korea FTA, "immigration officials" are included in the members of the committee on the movement of natural persons in order to exchange information on relevant laws

⁴¹ Korea Should Stay Out of the TPP-For Now, September 5th 2013, The Diplomat, Pacific Money, available at: <http://thediplomat.com/2013/09/korea-should-stay-out-of-the-tpp-for-now/> (Accessed: July 15th 2015)

and regulations. Although it provides more opportunities to understand other Parties' domestic regulations, this method cannot effectively solve the problem due to different domestic labor standards. In order to better facilitate the temporary entry of workers, China and its partners shall increase cooperation in the areas of skills recognition and licensing. With mutually recognized labor standards, it is easier to realize large-scale movement of natural persons.

4.4.2 Providing Visas for Spouses and Children

Providing visas for foreign employees' spouses and children benefits international trade and protects fundamental human rights. However, provisions related to visas for the spouses and children of temporary workers are not involved in the China-New Zealand FTA and the China-Korea FTA, or any of China's FTAs. The reason is that governments find it difficult to distinguish in practice between temporary labor movements and permanent migration, and fear that entrants through temporary arrangements may prolong their stay. The NAFTA gives some ideas for this issue. Citizens of Canada and Mexico working in the US can apply for the nonimmigrant NAFTA professional (TN) visa. At the same time, the Trade Dependent (TD) visa allows workers' spouses and unmarried, minor children to

accompany them to U.S. or join them later if workers can financially support their family.⁴² The TD visa is designed for dependants of temporary workers and provides a good environment for the workers to concentrate on their work. However, it only applies for professionals with specified qualifications listed on the 8 CFR § 214.6 of the Association of International Educators (NAFSA) Adviser's Manual rather than for every temporary worker. With a large amount of labor export overseas, China should protect workers' fundamental needs and human rights. China could make more progress in talks on the movement of dependants in the future negotiations, which effectively promotes further trade liberalization in the global context.

4.4.3 Focusing on the Asian Labor Market

As discussed above, the China-New Zealand FTA and the China-Korea FTA provide improved access for a range of skilled service providers, investors and business visitors. It is a fact that the commitments made so far privilege high-skilled personnel. Developed countries face an increasing scarcity of less

⁴² Visa for Canadian and Mexican NAFTA Professional Workers, U.S. Visas, available at: <http://travel.state.gov/content/visas/english/employment/nafta.html> (Accessed: July 15th 2015)

skilled labor with rising average levels of training and education. However, they are reluctant to liberalize access of this kind of labor market to foreign employees. Meanwhile, high unemployment rates in the U.S. and Europe damages the domestic labor markets. While China, with a large number of middle and low skilled workers, has a comparative advantage of labor-intensive services, this labor structure encounters many barriers in the process of the movement of natural persons to developed countries. Thus, China may actively focus on Asian markets and expand the scale and scope of the movement of natural persons through negotiations among neighboring countries to reduce barriers to labor mobility and improve temporary entry access in future China's FTAs.

4.5 Implications of the Dispute Settlement Mechanism

4.5.1 Making Better Use of the Consultation and Mediation Mechanism

The introduction of the dispute settlement mechanism has significantly altered the way in which international trade disputes are processed and resolved. This has

provided both opportunities and challenges for developing countries. How to effectively utilize the system is also an important issue for China. Both the China-New Zealand FTA and the China-Korea FTA introduced the “consultation” procedure which focuses on peacefully finding a mutually satisfactory solution to problematic issues. It is necessary to regulate the specific time of consultation to ensure its effective implementation. As discussed before, while there is no special regulation for perishable goods in the China-Korea FTA, the China-New Zealand FTA accelerates the time of entry into consultation to 15 days. Due to issues with perishable goods with short quality guarantee period, both the China-Australia FTA and the Korea-Canada FTA shorten the period to 10 days. In terms of all other matters, most FTAs regulate the time of consultation within 30 days after the date of receipt of the request (Table 19 below). China shall take perishable goods into account and perform consultations in a speedy and effective manner to protect the complaining Party’s economic interests in its future FTAs.

Table 19 Period of Consultation Held after the Date of Receipt of the Request

	China-Korea FTA	China-New Zealand FTA	China-Australia FTA	Korea-EU FTA	Korea-Canada FTA
Perishable goods	-	15	10	15	10
All other matters	30	30	30	30	35

* Prepared by author

Furthermore, both the China-New Zealand FTA and the China-Korea FTA have introduced the “mediation” procedure, which promotes better relationships through cooperative problem-solving and improved communication. The latter FTA initially encourages taking mediation in particular when non-tariff measures are taken into consideration and regulates to dispute such settlements in a timely and effective manner with the assistance of a mediator. In the Korea-EU FTA, the Review section (Article 10.2) clarifies that Parties shall consult with each other five years after the entry into force of this Agreement to modify the mediation mechanisms based on the experience gained and the development of a corresponding mechanism in the WTO. This helps to keep current with changing

situations and make better use of the mediation mechanism. China could consider a review of the mediation mechanism and preserve the principle of national interests and conflict avoidance in its future FTAs.

4.5.2 Composition of Panel

In the composition of the panel section, both FTAs emphasize a choice of panelists based on objectivity, reliability and sound judgment. The China-New Zealand FTA and the China-Korea FTA strictly describe the qualifications and regulations for the chair of the panel and the Director General of the WTO, respectively. It is a better choice to combine the two provisions in one FTA. The standards and regulations for the choice of the panel's chair and the Director General of the WTO shall be included and considered in future FTAs. Besides, it would accelerate the settlement procedures by preparing a list of panelists in advance. A contingent list of individuals with specified qualifications can be identified as panelists. This kind of pre-established list or roster approach is found in the Korea-US FTA, the Korea-EU FTA⁴³ and the Korea-Chile FTA⁴⁴ among the

⁴³ Article 14.18 of the Korea-EU FTA

⁴⁴ Article 19.7 of the Korea-Chile FTA

FTAs which Korea has concluded. For instance, Article 22.9.3 of the Korea-US

FTA states:

Within 180 days of the date this Agreement enters into force, the Parties shall establish a contingent list of individuals who are willing and able to serve as panelists. Unless the Parties otherwise agree, the contingent list shall include at least six nationals of each Party and at least eight individuals who are not nationals of either Party. An individual on the contingent list shall be appointed by agreement of the Parties for a minimum term of three years, and shall remain on the list until the individual is replaced or is unable to serve. The Parties shall review the contingent list every three years and may replace individuals on the list as appropriate. The Parties may also appoint a replacement where a member of the contingent list is no longer available to serve.

The Korea-US FTA explicitly clarifies the time of the establishment of a list of panelists, nationalities of members, term of office, and a review of the list and panelists replacement. It shows a comprehensive and specific regulation for the establishment of a list of panelists before a dispute occurs. In conclusion, the choice of the chair of the panel and the Director General of the WTO, and establishment of a list of panelists in advance will definitely affect the award of the panel and the speed of dispute settlement. The Chinese government shall give consideration to all these methods to improve the objectivity, reliability, and efficiency of the dispute settlement mechanism.

4.5.3 Review of Panel Report

As mentioned before, the report of panel shall be final and binding on the Parties for the dispute, which accelerates the procedures of the dispute resolution. However, it cannot guarantee the proper constitution of the panel itself and the correct decision of the panel. According to Article 197.1 of the China-New Zealand FTA and Article 20.14.2 of China-Korea FTA, where there is a contradiction as to the existence or consistency with this Agreement of measures taken to comply with the panel's award, such disputes shall be referred to a panel proceeding. Yet, the result will be decided by the "panel", even the "original panel". The WTO and other FTAs provide effective methods by introducing a "fourth" Party to perform the review section and improve the credibility of the dispute settlement mechanism.

According to Article 52 (1) of International Centre for Settlement of Investment Disputes (ICSID), either Party may request for annulment of the panel award to the "Secretary-General" if it finds that the panel was improperly constituted, panelists have exceeded their power, and there is corruption on the part of a member of the panel. In addition, according to Article 17 of the Dispute Settlement of the WTO, the Appellate Body hears appeals and examines the legal

aspects of panel reports (rather than studying evidence or facts), and then represents the second and final version of the legal report to the WTO dispute settlement mechanism. Furthermore, in accordance with Annex 1904.13 of NAFTA, the involved Parties shall establish an “extraordinary challenge committee”, which has the right to vacate or remand the original panel decision if the report of the panel is inconsistent with the facts. The introduction of the “fourth” Party to review the panel itself and a report of the panel can rectify the inadequate or faulty panel award, supervise the panelists, and ensure the equity and fairness of judgment. However, these more complicated measures take a longer time and lead to more economic damages. The Chinese government should consider and balance both sides in its future FTAs in terms of the review of panel report and panelists.

China, originally considered as a quiet observer and a proactive third party, has become a prominent actor in WTO dispute settlements nowadays, a decade after accession to the WTO. Considering the many implications mentioned above, it is possible for China to actively participate in the global market by making better use of the dispute settlement mechanism.

Chapter 5 Conclusion

Although China and Korea are still cautious about some sensitive sectors, the China-Korea FTA is evaluated as covering the broadest range of issues and involving the biggest trade volume of countries among all of China's established FTAs. This thesis shows that the Chinese government has taken a more liberal and positive attitude in concluding FTAs by comparing the China-Korea FTA with the China-New Zealand FTA. In addition, the China-Korea FTA is not a special case but a general case. The Chinese government will have to face similar issues involved in the China-Korea FTA when signing its future FTAs with large trade partners. Thus, it is very meaningful to analyze the characteristics of the FTA and make implications for China's future FTA strategy based on the comparison of this FTA with other FTAs.

Due to the rise of China and its conscious strategy for pushing economic integration in the region, it is necessary to understand China's FTA strategy and analyze its potential future trends. Firstly, China has recently shown some willingness to include emerging issues as part of its FTA package, while the Chinese government previously only concentrated on traditional sectors. The China-Korea FTA not only

incorporates economic and politic integration, but also includes several new trade-related issues, such as economic business, government procurement, competition and environment policies etc. In particular, co-production on films combines the competitive advantages of the two countries and stimulates mutual economic benefits in the new sector. It will be a new trend for China to include emerging issues in its future FTA negotiations to realize win-win cooperation.

Secondly, after accumulating much experience in trade negotiations, China has gradually altered its FTA partnerships from some economies with small-scale trade to major trade partners, even among those with a complementary relationship in some sectors. Although there are some restrictions and elements of protection on some sectors in the China-Korea FTA, it is the first time that China signed an FTA with such a major trading partner, a developed and completely industrialized nation, and China is showing a positive attitude towards gradually liberalizing domestic markets with a more competitive partner.

In addition, in terms of the geographic distribution of FTA partners, China not only has a balance strategy around the world, but also focuses on the Asia-Pacific region, especially East Asian neighbors. It is a fact that China actively participates in

the establishment of new FTAs with more of its Asian neighbors, like the established China-Korea FTA and the China-Korea-Japan FTA under negotiation. Although long-lasting territorial disputes, historical tensions, and the rise of China threaten cooperation in East Asia, it is inevitable that the three countries will try to rebuild mutual trust. Also, China actively promotes the regional economic integration of East Asia to gain long-term economic benefits.

Lastly, except pursuing economic benefits through FTAs, establishment and expansion of the FTA network can increase peace and security, which is considered as part of China's strategy to achieve the goal of a "peaceful rise". FTAs play a significant role in developing economic cooperation and interdependence among countries, which are able to reduce friction and build mutual trust. Thus, there is no doubt that China will continually conclude more FTAs with global trading partners and promote further liberalization in its future FTAs to develop a peaceful international environment for the considerable development of both China and the world economy.

References

- PilSoo Choi, Suyeon No and Min Suk Park, *20 Years of the Korea-China Economic Relationship: Retrospect and Prospect*, KEIP World Economy Update, Vol.2 No. 2 October
- Scott Bowman, Patrick Conway, *China's Recent Growth and its Impact on the New Zealand Economy*, New Zealand Treasury Working Paper 13/15, July 2013
- Henry Gao, *China's Strategy for Free Trade Agreements: Political Battle in the Name of Trade*, 2009
- Peng Huang, Woohyoung Kim, *FTA Strategy Analysis of China and Korea and the Feasibility of Sino-Korea FTA Negotiation*, Korea University Law Review, Vol.8:6, 2010
- Keun Eor Myong, *Plan for Agricultural Sector in Korea-China FTA*, KIEP Policy Seminar, July 14th 2011
- Choi Nakgyoon, *Impacts and Main Issues of the Korea-China FTA*, Korea's Economy 2012, the Future of Korean Trade Policy
- Pradip Bhatnagar, *Liberalising the Movement of Natural Persons: A Lost Decade?*, Blackwell Publishing Ltd 2004
- Walmsley and Winters (2002), L. Alan Winters, Terrie L. Walmsley, Zhen Kun Wang and Roman Grynberg, *Liberalising Temporary Movement of Natural Persons: An Agenda for the Development Round*, Blackwell Publishing Ltd 2003
- Kazunobu Hayakawa, Fukunari Kimura, *How Do Free Trade Agreements Reduce Tariff Rates and Non-tariff Barriers?*, Institute of Developing Economies, IDE Discussion

Paper No. 446, February 2014

- Yang Jiang, *Australia-China FTA: China's Domestic Politics and the Roots of Different National Approaches to FTAs*, Australian Journal of International Affairs Vol.62, No. 2, June 2008
- *China Statistics of Trade in Services 2014*, Ministry of Commerce People's Republic of China
- *World Investment Report 2013: Global Value Chains: Investment and Trade for Development*, United Nations Conference on Trade and Development, United Nations Publication
- *Report on Statistics of China's Outbound FDI 2013*, jointly released by the Ministry of Commerce, the National Bureau of Statistics and the State Administration of Foreign Exchange, September 9th 2014
- Wei Yihao, Wu Guowei, *A Study on the Possible Effect of China-Korea FTA*, 2010
- 어명근, "한·중 FTA 농업분야 동향과 전망, 한국농촌경제연구원", 제 17 호, 2012
- 여지나, 박미숙, "중-홍콩 CEPA 서비스 양허안 분석을 통한 한·중 FTA 서비스 협상전략 연구", 대외경제정책연구원, 연구자료 12-03, 2012
- 한-미 FTA 주요내용, 관계부처합동, June 2012
- 한-중 FTA 상세설명자료, 관계부처합동, March 2015

Online Articles

- *China-NZ FTA to boost all-round development of trade ties*, Ministry of Commerce People's Republic of China, April 6th 2008, available at:
http://english.mofcom.gov.cn/article/zt_thirdcief/lanmua/200804/20080405468842.shtml
html

(Accessed: June 24th 2015)
- *China-Korea Free Trade Agreement Officially Signed*, China FTA Network, June 2th 2015, available at:
http://fta.mofcom.gov.cn/enarticle/enkorea/enkoreanews/201506/21935_1.html

(Accessed: June 24th 2015)
- *Market Trends*, Tourism New Zealand, June 5th 2015, available at:
<http://www.tourismnewzealand.com/markets-stats/markets/china/market-trends/>

(Accessed: July 4th 2015)
- *Joint Report on Statistics of China's Outbound FDI 2013 Released*, Ministry of Commerce People's Republic of China, September 12th 2014, available at:
<http://english.mofcom.gov.cn/article/newsrelease/significantnews/201409/20140900727958.shtml>

(Accessed: July 15th 2015)
- *China Overtakes US for Foreign Direct Investment*, BBC News, January 30th 2015, available at:
<http://www.bbc.com/news/business-31052566>

(Accessed: July 15th 2015)

- Korea Should Stay Out of the TPP-For Now, September 5th 2013, The Diplomat, Pacific Money, available at:

<http://thediplomat.com/2013/09/korea-should-stay-out-of-the-tpp-for-now/>

(Accessed: July 15th 2015)

- Visa for Canadian and Mexican NAFTA Professional Workers, U.S. Visas, available at:

<http://travel.state.gov/content/visas/english/employment/nafta.html>

(Accessed: July 15th 2015)

Website

1. <http://www.mofcom.gov.cn> Ministry of Commerce People's Republic of China
2. <http://www.stats.gov.cn> National Bureau of Statistics of China
3. <http://www.kiep.go.kr> 대외경제정책연구원
4. <http://ktra.org/> Korea Trade Research Association
5. <http://www.koreaexim.go.kr> Korean Export-Import Bank
6. <http://fta.mofcom.gov.cn/> China FTA Network
7. <http://stat.kita.net/main.screen> K-stat
8. <http://www.cnta.gov.cn/> China National Tourism Administration
9. <http://www.stats.govt.nz/> Statistics New Zealand
10. <http://www.import.or.kr/> Korea Imports Association
11. <https://www.wto.org/> World Trade Organization
12. <http://www.kati.net/kati.do> 농수산식품수출지원정보
13. <http://en.unesco.org/> UNESCO
14. <http://travel.state.gov/content/travel/english.html> Travel. State. Gov
15. <http://comtrade.un.org/db/dqBasicQuery.aspx> UN comtrade

국문초록

경제의 글로벌화와 지역 경제의 통합은 이미 트렌드가 된지 오래되었다. 중국 역시 여러 국가들과 자유무역협정(Free Trade Agreement)을 맺고 있으며, 자유무역지구(Free Trade Area) 전략 실시에 박차를 가하고 있다. 국가간 협조 강화와 무역장벽 완화는 현재 중국이 취하고 있는 경제 발전 전략이다. 현재 중국은 19 개의 자유무역지구 체결을 앞두고 있으며, 이미 14 개의 자유무역협정을 맺은바 있다. 이들 자유무역협정 중 중국-뉴질랜드 FTA와 한-중 FTA는 서로 다른 두 전략을 잘 보여주는 대표적인 사례이다. 본 논문에서는 두 개의 무역협정의 유사점과 차이점의 비교분석을 통해, 중국 정부가 가지고 있는 FTA에 대한 태도와 전략의 변화를 살펴보고자 한다. 중국-뉴질랜드 FTA와 비교하여 보았을 때, 한-중 FTA는 지금까지 중국의 FTA 역사상 가장 큰 무역 규모를 자랑하며, 다양한 분야를 포함하고 있다는 특징을 지닌다. 한-중 FTA는 양국의 경제-무역 관계가 새로운 도약 단계로 나아간다는 점에서뿐만 아니라, 동아시아 그리고 더 나아가 아시아-태평양 경제의 일원화에도 영향을 미치며, 궁극적으로 세계화로 나아가는 데 큰 공헌을 한다는 점에서 기념비적인 의의를 갖는 사건이라 할 수 있다. 그러나 중국-뉴질랜드 FTA와 지금까지 체결된 여타

다른 무역협정들과 비교하여 보았을 때, 한-중 FTA 는 일정부분 제한적인 특성과 보호 무역적인 특성을 보인다. 중국은 새로운 개방형 경제 시스템의 구축을 위해 노력해 왔으며, FTA 에 대하여 더욱 개방적이고 적극적인 태도를 보인다. 이와 동시에 중국은 스스로의 이익과 협정을 체결하는 파트너 국가의 실제 상황을 고려하여야 하며, 각 FTA 의 특징과 세부적인 사항들에 주의를 기울여야 한다. 그리고 중국은 이를 통해 더욱 체계적인 위험 평가(Risk Assessment)를 해야한다. 논문의 말미에서는 중국의 미래 FTA 발전 전략에 대한 시사점을 제시하였으며, 기타 FTA 의 비교 분석을 통한 진일보한 시장 개방을 이룩하는데 참고할 수 있는 의견들을 덧붙였다.

키워드: 한-중 FTA, 중국-뉴질랜드 FTA, 중국 FTA 발전전략, 비교연구