

Print ISSN: 1738-3110 / Online ISSN 2093-7717
<http://dx.doi.org/10.15722/jds.15.2.201702.53>

<Field Research>

The Effect of FTA's Results on China Distribution Company

Young-Min Lee*

Received: November 18, 2017. Revised: February, 15, 2017. Accepted: February, 15, 2017.

Abstract

Purpose - The world economy is changing with FTA. Lots of FTAs are going on between countries and economic blocs in the world economy as the battle field of FTA. This study is aims to suggest a practical data about Korea-China FTA by analyzing an economic ripple effect and main issues on Korea-China FTA negotiation.

Research design, data, and methodology - This study analyzes the economic impact and major issues expected during the promotion period of Korea-China FTA, and promoted the purpose of this research with literature review and comparative analysis.

Result - FTA agreement with China is expected to contribute to Korean economic growth by bringing effectiveness of securing and resolving mutual trade conflict, and one-sided trade protection control of Chinese domestic demand market. The potentiality between United States and Korea is also very important issue .

Conclusions - To minimize the adverse effects of FTA and to maximize the positive effects on the logistics industry, the Correspondence strategy is suggested based on the effects of FTA after analyzing the entire situation of the logistics. Especially, this article places emphasis on a close cooperation system between the government agencies to get a good conclusion from the negotiation even if the e-Commerce issue to be a critical point under Korea-China FTA.

Keywords: GATT, FTA, WTO.

JEL Classifications: B40, E32, F18.

1. Introduction

The main streaming trade creation, trade diversion effect, and productivity effect are subject to the center of producers, business center, and leading national growth. FTA is the main streaming perspective in this study from positive aspects. However, it difficult to measure economically well because FTA is realistic to domestic consumers, in particular, and it can be the cause to fall in import prices and export prices according to an FTA between these countries import tariff price and the quality is importing consumer What has not been established in the transmission is being studied (Bhagwati, 1993).

Another feature of the global trade structure of the company increased attention is the area of trade and company, depending on whether the proliferation of trade

has increased dramatically in the form of a new international competition. 1980 Note that a free trade into GATT since largely to a conflict of interest between Member States began the spread of international free trade(Clinton, 2011).

WTO has gathered speed of liberalization and pursued multilateral liberalization of limited trade. In particular, by promoting this difficult economic burden of multilateral trade liberalization, according to the 1999 years ending in multilateral negotiations in Seattle and Cancun WTO Ministerial in September 2003 of the failure of the United States to increase trade between the countries as understanding(Nira, Linb, & Lianga, 2003).

If Korea-China FTA is done, among other FTA the other hand, is a specialization that reflects the comparative advantage and competitive deployment, but on the other hand to increase Member States between the trade, long-term and reported that the latter is more important than electronic, such It has presented seven in perspective. The first protects the products to preserve the damage, the second Korea promotes competitiveness(Cutler, 2007). Such

* Professor, Department of Management and Information, Hyupsung University, Suwon, Korea.
 Tel: +82-31-299-0842, E-mail: lym4133@gmail.com

as processed food is expected to have either a competitive possess as competitive advantage, and the third to estimate the Chinese market and cooperation, fourth green and develop high-quality differentiation strategy should be. And the fifth agricultural outside incomes, and fisheries sector, but also anticipate exports to the fishery imports surged and South Korea from China FTA implementation of the Korea-recent export expansion possibilities when considering such capacity decrease trend of Korea fisheries are in significant the damage of the domestic, while imports are concerned (Robinson & Thierfeder, 1999).

This study analyzes the economic impact and the major issues expected during the promotion of Korea-China FTA, and promotes the purpose of utilization as the basis for the discussion on the FTA. FTA signed with China is the most potential. It is expected that Chinese large trade between the cancellation of the secured and priority access to the market and bring the effectiveness of unilateral protection actions contribute to the dynamism of the international markets continued high dependence on Korean economic growth(Yomiuri, 2012).

In order to pursue the expansion of trade and free trade around the world, each country is racing for try to an FTA. 219 cases were identified through October in WTO free trade agreement FTA, and FTA has entered into force with 40 countries, South Korea. (Harris, 1984).

2. Chinese Economic Policy

The assessment will be made of the so-called industrial tariff rationalization in important changes with the number of companies in South Korea Economy, Trade and Industry in diameter and greater economies of scale producers incomplete market is expanding import tariff (Shin, 1999).

China has the policy of the regime fifth Deng Xiaoping systems, which was held in China in June 1979 in December 1978, outside opening run, the strengthening of international economic and technological exchanges our policies. Special economic zones have been proposed as an activity report from significantly contribute to the economic development per coastal economic development strategy suggesting opening the city 14 coastal March 1988 13th. After the adoption of a formal party's basic policy, it has been determined by policy. Intensive than in 1992, Deng Xiaoping, to the policy of open as defined in the party primary route center of the price with an emphasis on market mechanisms in the economy to systems of countries in each from government, and it became easy price controls(Bernhofen & Brown, 2004).

<Table 1> Chinese Economic Situation

Year	2010	2011	2012	2013	2014 ^e	2015 ^e	2016 ^e
GDP(\$)	5,950	7,314	8,387	9,469	10,355	11,285	12,235
1 People GDP(\$)	4,437	5,429	6,194	6,959	7,572	8,211	8,859
GDP Growth rate(%)	10.4	9.3	7.7	7.7	7.4	7.1	6.8
Population (How many)	13.4	13.5	13.5	13.6	13.7	13.7	13.8

'e' Estimate Reference: IMF

It is particularly notable bright room with two strategies high growth policy. It presented the opening statement of the tertiary industry to move away from the other dogs in direction coastal policy keynote the namsun strengthening of Deng Xiaoping in the wake Industry. It deliberated the development and opening policy foreign exchange also trade exchange rate unification. It evaluated in two aspects of the system and, trade law enacted fear, etc., and contributed to the export certificate more corporate institutions owned ring structure ring to change. It opened enterprise system to listen to the subtitle in the contract first production 1994 Internationalization year, the group Jinha the marketization was the introduction of a single unifying the system was dual to the existing floating exchange rate. The regime was the official exchange rate and market exchange rates at the market exchange rate regime. Extremely course of such liberalization is to economic growth and proportional, which

will market opening pressures of a number of developed countries, including regional integration phase and the US economy, which tells the haeum future changes in the non-trade policy of the State(Kim, 2011).

It is a country with rich natural resources such as oil reserves, the third fourth natural gas production, production above, the third uranium production. This will make the glass to secure the resources of the country and the expansion of trade in the resource-rich countries. The majority of the products that the elimination of tariffs FTA between Korea within 10 years after the agreement enters into force. Within two years, beef has 15 years, car tariffs within three years, most fibers, pork products (Venables, 1999).

3. FTA Propulsion Background

This sector is causing the damage, while looking to see the benefits arising due to the FTA industry, while benefiting from FTA export competitiveness, or to produce a major export items and consumer products industry low domestic production or imports are, you will see a loss of export competitiveness of domestic production is vulnerable or weak industries(Frankel & Wei, 1998).

Since 1992 the two countries established formal diplomatic to economic geography toughness, based on the

complementary industrial structure and cultural similarity the two countries are achieving economic development. Looking at the trade volume, at the time of handing \$6.4 billion from 1992 to 2003, it increased by an annual average of 22% to \$ 57 billion(Hertel,1997).

Depending on the country of export growth Chinese market dependence on South Korea increase in the non-station occupied by South Korea's export market in 1992, 3.5% in 2003 and rose to 18.1%, including the part that is Hong Kong as a real. If you are a underground car exports from the country, it has reached 21.2% in 2003.

<Table 2> Investment Trends in Korea and China

(\$, %)

Year		2000	2005	2010	2011	2012	2013	2014 1Q-2Q	Total
Korea → China	Price	10.2	36.8	44.1	48.0	65.3	48.1	19.3	636.1
	Ranking	3	1	2	2	2	2	2	2
	Importance	16.3	37.5	12.8	10.5	16.5	13.5	12.8	16.7
China → Korea	Price	0.8	0.7	4.1	6.5	7.3	4.8	7.8	57.2
	Ranking	17	15	9	8	5	7	5	12
	Importance	0.5	0.6	3.2	4.8	4.5	3.5	7.5	2.6

Material: Ministry of Commerce, Industry and Energy

The United States and Japan, the existing major export market dependence is recorded declines of 17.7% continued in the United States and Japan is falling to 8.1% ese0 15.1%. 12 000 years behind, but even in the United States, Japan, EU, ASEAN, in 2003 it launched the first station while the number of head of South Korea was the third of the income (Landreth & Colander, 2002). Then in 2004 came into the Party is the sum of the export and import.

However, there are many challenges jeongjak Convention signed up. Canada is an attractive market for South Korea. Dynamic and may play an important role in the Asia-Pacific region. South Korea hopes to enter the market, many Canadian companies. However, there is still a closed market in Korea.

Also a lot of interest in energy resources such as oil and natural gas in Canada, South Korea. However, ongoing FTA negotiating table is not in the car include oil and natural gas. So there is no need to pre disappointed. First of all, you need now is Korea that it should focus on expanding the amount of confidence the country has a long-term perspective. After strengthening economic cooperation, more investment will take place between the two countries. It has a wide range of areas including the political, cultural and economic interests as well as. Has built a lot of confidence over the course of 50 years handed South Korea and Canada. But bring a greater effect beyond the existing relationship between the FTA agreement. The two countries will be more stronger in political and economic(Frankel & Wei, 1998).

It appeared as the first trade sangguk South Korea trade volume in the face. Depending on the increase in South Korea's export bureau has recorded a trade surplus countries continued since 1993, early 2003 trade surplus countries to \$13.2 billion. According to statistics, Korean side in 2003, the Bureau of Trade surplus \$ 13.2 billion (Serdar & Yilmaz, 2004).

The trade balance reaches \$23.1 billion of the \$ 9.9 billion difference is one of the biggest causes of these statistical discrepancy. We suggest this may be interpreted differently in the statistics of trade Hong Kong two countries (Robinson, 2002).

One of the three countries in service industries through the liberalization from the service sectors are committed to multilateral efforts to strengthen competitiveness, deregulation and monopoly removal, price, human resources, and stressed the competition promotion and so on. Transportation of Korea held its competitiveness in some service or industry must overcome the resistance of interest groups opposed to the service market opening as soon as possible and take measures to liberalize the services sector drastically. When introducing competition in the service sector and to promote the competitiveness of the commodity sector to take advantage of at the same time the service sector, which aims to enhance competitiveness of the service itself as intermediate (Sariisik, 2010). Korea will be able to lead the services liberalization, Sundays FTA among Korea Why should we set the goal of further services liberalization deep and wide range ahead of the current

WTO services negotiations to drive is also visible here. which these industries the reason for the EU to increase domestic consumption and exports have increased significantly. In particular, it is analyzed that the effect of increasing domestic production by the EU exports of transport equipment and parts industries, including automotive, marine and increased experience (Manyin, Chanlett-Avery, & Nikitin, 2011).

4. Economic Effect of FTA

In research will have a positive impact in the direction of

increasing the economic welfare of South Korea FTA and the EU, and is expected to bring overweight increases the competitiveness of the service industry(Burns, 2011).

South Korea joined the WTO in late 2001 and promised to improve the width of the cut and the usual three institutions. But in 1997 the average effective tax rate was 23%, also lower the age by two items in 2001. 3462 lowered the tax rate to 15.3%. 2002 and 2003, respectively, in 5332 and 3019 items, items cut by a three industrial average tax rate in 2003 was achieved by 11% (Niblett, 2012).

<Table 3> China import market share by country

unit: %

Country	Ranking	2000	2005	2010(A)	2011	2012	2013	2014. 1-9 (B)	(B) - (A)
Korea	1	10.3	11.6	9.9	9.3	9.2	9.2	9.6	-0.9%p
Japan	2	18.4	15.2	12.6	11.2	9.8	8.2	8.3	-4.3%p
U.S.A.	3	9.9	7.4	7.3	6.8	7.0	7.4	7.8	+0.5%p
Tiwan	4	11.3	11.3	8.3	7.2	7.3	7.7	7.6	-0.7%p
Germany	5	4.6	4.6	5.3	5.6	5.1	4.8	5.4	+0.1%p

Reference: Chinese Customs.

This can hardly achieve the target of the three cuts promised joined WTO. And lowered a tax on agricultural products and operations foods by the request of the United States and the European Union by 17% in 2004 from an average of 22% in 1999, 10 agricultural products have import quotas on The corresponding items are corn, keep jongjaryu, sugar, wool, cotton and so on. Except for sugar grains, wool, is charged on imports within the quota of cotton and the high rate of, but not charged more income tax in the quarter. In particular, Korea is mainly agricultural countries to commit more to install onto the items. Including some agricultural products it is not yet concessions in WTO, the agricultural sector concessional rate of 97.59%. Concessional rate is 91.35%, and industry, including agriculture, fisheries concessional rate if the situation is a mere 34%(Ajw, 2011).

Effect can be found in the market. That is, in terms of the dynamics of economies in scale factors and race of FDI inflow may be continued as a factor contributing to increase the efficiency of the labor countries. To see that an FTA with the EU, goods, services and capital move around freely is executed(Burns, 2011).

<Table 4> FTA Economic effect in Korea & China

Division	5 year	10 year
GDP Growth rate (%)	0.30	0.96
Consumer welfare (\$)	563,400,000	146,260,000
Employment effect	136,000	53,800
Annual average financial effect	-17,000,000	27,000,000

The competitiveness between was activated. Since 1993, it added during the single market planning period of 10 years in 2001 to create an employment of 250 people, adding that generate the GDP amounted to 87.7 billion euros, offshore exports to 9.850 one hundred million euros in 2001 from 4,150 one hundred million euros in 1992 237% increased, during the same period increased offshore investment is 11.4 times '92 non-0.11 one hundred million. This expansion of market competition between businesses in the dark as to remove the three countries, and abolition of national barriers and various Bise market between Member States. It is a competition-oriented shine. If the developed countries when viewed from the perspective of the Member State to attract capital and technology, the technical effect(Lee, 2014). In 1998, by signing the 'for Korea and the Nuclear Regulatory technical cooperation and exchange of information memorandum', nuclear safety information exchanges between Korea Institute of Science and Technology. Nuclear Safety Commission canadian Nuclear Safety Commission and the professional exchange the driving cooperation, etc. Again the agreement was signed in June 2007 after the end in 2003(Lichtenstein & Burton, 1989).

The effect of the increase will bring new jobs and economic efficiency as half must polarization utilization of idle resources in the region, as well as to accompany (Economics & Politics, 1998).

<Table 5> Korea & China in FTA Economic forecast

Division	Low Level in FTA	High Level in FTA
GDP Growth rate (%)	2.28	3.04
Consumer's Economic Profit (\$)	275,900,000	365,800,000

Next, due to the easing of trade friction between the disadvantaged countries improve trade and investment regulations, and transparency has been enhanced as an example trade disputes between the two Parties(Cernat, 2001).

NAFTA countries except the United States of Mexico and Canada Mountain on steel guard action, Canada - some as seven FTA signatory is mutual exclusion between the veterinary and expedite the normal anti-dumping dispute itself. Economies of the scale to the end of device, transparency in the system is that the effect of increased to improve the environment for investment stability and investment of foreign companies(Baldwin, 2003).

It is not the future relationship of the two countries was never optimistic. And the effort required to set up a new relationship for the new challenges that have not previously experienced awaits. Now the challenge will be met more people of both countries and their conflicts. Also do not ignore the difference comes from the different cultural experiences with each other. For example, South Korea is proud to be a single nation(Saleh & Lalonde, 1972). While the country has been recognized as the core of Canada's diversity configuration. We now have the economic strength of South Korea and Canada are similar in the global scale. This means that the relationship between the two state is previously. Canada will continue to grow with the economy. Thanks to the good nature and the environment, many people will get benefits with the country that they want to(Olson & Jacoby, 1997).

5. Conclusion

South Korea has more resources in capital and technology intensively such as industries and competitiveness in China, and Korea is expected to

Reference

- Ajw (2011). Japanese Business Fear Impact of U.S.-South Korea FTA, Ajw by the Asahi Shimbun, 14 October, Osaka, Japan.
- Baldwin, Richard E. (2003). *The Spoke Trap: Hub and Spoke Bilateralism in Asia*. Unpublished paper written for the Korean Institute for International Economic Policy, 8 December 2003.
- Bernhofen, D. M., & Brown, J. C. (2004). A direct test of the theory of comparative advantage: The case of Japan. *Journal of political Economy*, 112, 48-67.
- Bhagwati, J. (1993). *Regionalism and Multilateralism: An Overview*. in J. De Melo D. Rodrick (eds.). *New Demensions in Regional Integration*. Cambridge: Cambridge Press.

contribute to the advancement and added value of the industrial structure in Korea. Japan is a position that maintains a big picture commitment to promoting the process of Korea, China and the FTA is going smoothly after the promotion.

Future seems to be a glass ensure competitive and economic resources to upgrade, and as the occupation of the China market in Korea. Because it is not nearly signed with countries other than North America, China is expected to provide future positive effect bar. In fact, economic growth seems to impact directly on the agreement, but this effect is negligible, it looks that complement the bilateral trade being made, you can contribute to laying the foundation for the Pacific Rim economy. Because a high proportion of service industry and the mining structure being made to increase trade between the two countries complement the competitiveness, the China-based manufacturer is weak compared to the country, while the macroeconomic will bring positive results.

Japan is the main reason for choosing a FTA priority target promotion countries the word Korea to Singapore and Mexico trade and technical suppress Chinese influence in the region at the same time to get the country's economic gains and East Asia Economic and Trade It has reported that the intention to seize the initiative.

One of the FTA can be a trade environment through the strengthening of the competitiveness of enterprises through activating the free movement of expansion and technical personnel of the market and promote the reinforcement of national competitiveness can be provided on favorable terms. Through the powers of FTA between China and the Korean peninsula around and we expect the Korean Peninsula and will be sure to benefit the peace and economic growth in the region, who, during, FTA is said to be an important means of contributing to stability in Northeast Asia in the political and security environment. It is determined. Therefore, the world is now FTA is no longer optional, not strategy is interpreted in the way of essential trade policy and should promote an FTA with future economic scale is large or high trade barriers country, competitiveness and industrial structure of the domestic industry. It will be reviewing the direction on activation of a diversified national economy.

- Burns, William J. (2011). *Asia, the Americas, and U.S. Strategy for a New Century*. remarks at World Affairs Councils of America National Conference, Washington, November 4, 2011, Retrieved October 20, 2016, from <https://www.state.gov/s/d/2011/176667.htm>.
- Cernat, L. (2001). Assessing Regional Trade Arrangement: Are South-South RTAs More Trade Diverting?. UNCTAD Policy Issues in *International Trade and Commodities Study Series*, 16.
- Clinton, Hillary (2011). *America's Pacific Century, Foreign Policy*. Retrieved October 20, from 2016, http://www.foreignpolicy.com/articles/2011/10/11/america_s_pacific_century.
- Cooper, William H. (2011) U.S.-Japan Economic Relations: Significance, Prospects, and Policy Options. *Congressional Research Service*, 2011, 2.
- Daily Yomiuri Online (2012). FTA threatens Japanese Firms/South Korean-U.S. Trade Pact Likely to Hinder Auto, Electronics Makers, 17 March, Tokyo, Japan.
- Frankel, J., & Wei, S. J. (1998). Regionalization of World Trade and Currencies: Economics and Politics. In J. Frankel (ed.). *The Regionalization of the World Economy*, Chicago: University of Chicago Press.
- Gestner, E. (1988). Do Higher Prices Signal Higher Quality? *Journal of Marketing Research*, 22, pp.209-215.; Sproles, G.(1977), New Evidence on Price and Quality, *Journal of Consumer Affairs*, 11, 1985, pp.63-77.
- Harris, R. (1984). Applied General Equilibrium Analysis of Small Open Economies with Scale Economies and Imperfect Competition. *American Economic Review*, 77, 1016-103.
- Hertel, Thomas W. (1997). *Global Trade Analysis, Modeling and Applications*. Cambridge: Cambridge University Press.
- Kim, H. (2011). Dynamics of free trade agreements: Benefits and strategic considerations. *SERI Quarterly (July)*, 1-6.
- Landreth, H., & Colander, D. (2002). *History of Economic Thought* (5th ed.). Boston: Houghton Mifflin.
- Lee, Je-Hong (2014). An Empirical Analysis on Korean Consumer Welfare Levels Accounting for U.S.A. Product Price Fluctuations After the Korea-U.S.A. FTA Effectuation. *Journal of Korea Trade*, 18(2), 49-74.
- Lichtenstein, D. R., & Burton, S. (1989). The Relationship between Perceived and Objective Price -Quality. *Journal of Marketing Research*, 24(Nov), 429-443.
- Manyin, Mark E, Emma Chanlett-Avery, & Nikitin, M. B. (2011). U.S.-South Korea Relations, Congressional Research Service. *CRS Report for Congress*, November 28.
- Niblett, R. (2012). *The Economic Crisis and the Emerging Powers: Towards the International Order?*. Area: International Economy and Trade.
- Nira, A. S., Linb, K., & Lianga, G. S. (2003). Port Choice Behavior from the Perspective of the Shipper. *Maritime Policy and Management*, 30(2), 165-173.
- Olson, Jerry, C., & Jacoby, J. (1997). Cue Utilization in the Quality Perception Process, In Proceedings of the third annual conference of the association for consumer research (ed.). M. Venkatesan, pp.167-179.
- Panagariya, A., & Bhagwati, J. (1996). *Free Trade Areas or Free Trade? The Economics of Preferential Trade Agreements* (eds.). (Washington, D.C.: American Enterprise Institute Press, 1996).
- Robinson, S., & Thierfeder, K. (1999). *Trade Liberalization and Regional Integration: The Search for Large Numbers*. International Food Policy Research Institute. Washington, DC. (January, 1999).
- Robinson, R. (2002). Ports as Elements in Value-Driven Supply Chain Systems: the New Paradigm. *Maritime Policy and Management*, 29(3), 241-255.
- Saleh, F., & Lalonde, B. J. (1972). Industrial Buying Behaviour and the Motor Carrier Selection Decision. *Journal of Purchasing*, 8(1), 18-33.
- Sariisik, D. (2010). Turkey looking to become a logistics leader in black sea basin. *Hurriyet Daily News*. pp. 1-5.
- Serdar, S., Asan, U., & Yilmaz, I. (2004). Benchmarking logistics in between Turkey and European countries. Proceedings of the 10th World Conference on Transport Research(pp.1-12). Istanbul, Turkey.
- Shin, D. C. (1999). *A Computable Equilibrium Analysis in International Trade*. Seoul, Korea: Sekyungsa.
- Venables, J. A. (1999). *Regional Integration Agreements: A force for convergence or divergence?*. World Bank Policy Research Working Paper, No. 2260, World Bank, Washington, DC. December.