

Evaluation of the Effectiveness of FTA Construction between China and Countries Along the Belt and Road

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Abstract

The FTA is one of the main strategies for the construction of the free trade area and the bridge of our trade union with other economies. China's strategy of expanding the free trade circle focuses on China and radiates to neighboring countries. Therefore, in recent years, China has been stepping up the integration of the "Belt and Road" Initiative and FTA construction, taking the countries along the "Belt and Road" as nodes, and developing China's free trade zones around the countries along the Belt and Road. In the past two decades, China has achieved remarkable results in the construction of FTAs. The number of FTAs has been increasing, especially the number of FTAs with countries along the Belt and Road Initiative. While actively increasing the number of FTAs signed, China also pays attention to improving the quality of FTAs and pursues to sign FTAs with high quality and high standards. However, on the whole, our FTA also has the problem of the big gap between the rule and standard and the latest economic and trade rules of the country. Therefore, we need to actively expand the space of economic and trade cooperation, widen the space of FTA conclusion, draw closer to the high standard economic and trade rules of international crimes, and explore potential trading partners at the same time.

Keywords

Free Trade Agreements; The Belt and Road; Effectiveness Evaluation.

1. Research on the Current Status of Trade Agreements between China and Countries Along the "Belt and Road"

1.1. Current Status of China's Free Trade Agreements with Partner Countries Along the Belt and Road

By 2022, China has signed 19 free trade agreements with 26 countries and regions, including ASEAN, Australia, South Korea, Switzerland, Maldives and other countries, and the free trade Agreement signatories spread across Western Europe, Oceania, Asia and other regions. Adhering to the principle of equality and mutual benefit of all countries, no matter developed or developing countries or even underdeveloped countries, our country actively negotiates or signs FTAs with all countries in the world, and actively expands its own free trade circle. The establishment of free trade area to widen overseas market is one of the important strategies of our opening to the outside world. We are accelerating the pace of globalization and accelerating the current FTA preliminary negotiations to more than 20 countries and regions. In response to the Belt and Road Initiative, the trade links between China and the countries along the Belt and Road have been increasing in recent years, and the direction of FTA signing has consciously focused on the countries along the Belt and Road. Asean, Pakistan, Mauritius and South Korea are among the countries and regions along the Belt and Road that have concluded FTAs with China. The signing of FTA and the establishment of free trade area obviously promote the

bilateral trade level and reduce the bilateral trade barriers, and the bilateral company investment and national trade liberalization degree is higher.

Table 1. Countries and regions along the routes that have concluded FTAs with China

Partners	Time of Signing of Agreement
ASEAN	2004 year
South Korea	2015 year
Singapore	2008 year
Chile	2006 year
Switzerland	2013 year
Peru	2009 year
New Zealand	2007 year
Pakistan	2006 year
Costa Rica	2011 year
Georgia	2017 year
Mauritius	2019 year
Maldives	2017 year
Cambodia	2020 year

The signing of FTA has a very obvious effect on promoting trade and economy between China and countries or regions along the "One Belt and One Road". In China, China signed its first FTA in 2002, and then actively built its own free trade area, actively promoted the implementation of the strategy of free trade area, adhered to the initiative of opening up to the outside world, and shared the dividends of the Chinese market with foreign trade partners or regions. Driven by a series of trade policies, China has signed 19 FTAs up to now, involving 26 countries and regions, among which 17 FTAs (including upgraded FTAs) are partners along the Belt and Road. In the 20 years since China concluded the FTA, the FTA has produced three promoting effects: stabilizing the basic trade and investment of China's foreign trade, narrowing the economic and trade relations between China and its contracting partners, deepening China's opening to the outside world, and contributing to the development of China's export-oriented economy. Among the countries and regions along the Belt and Road, the first region along the Belt and Road to sign a free trade agreement with China is ASEAN. The China-Asean FTA came into effect in 2004. Now the Middle East has become each other's first trading partner. Promoted by the FTA of the ten ASEAN countries, the foreign trade and economy developed rapidly, the proportion of import, export and investment both increased substantially, and the national economic strength increased rapidly. One of the reasons why FTA can produce such effect on ASEAN is that ASEAN is a region along the "One Belt and One Road", which makes the two sides in the Middle East have a stable trade foundation in terms of trade economy and have closer bilateral ties. With such an excellent success model, more and more countries have signed FTAs with China one after another, and support the Belt and Road Initiative to join the 21st Century Silk Road. Facts have proved that among the objects of FTA concluded by China, the trade status of countries and regions along the "Belt and Road" has been improved in both quality and quantity.

1.2. Current Status of Regional Trade Agreements Along the Belt and Road

Countries and regions along the Belt and Road take advantage of their geographical locations to actively build free trade areas with neighboring countries. So far, "One Belt and One Road" regional countries and the area along the trade agreements signed a total number of 206, more than half of trade agreements as "area" all the way along the line between countries or regions

within the area of the contracting parties, the result of the possession of 112, the area of each country or region at least to conclude a trade deal with each member at least, Geographical factors make it easier for intra-regional members to conclude agreements. As countries along the Belt and Road are mainly developing countries, South-South cooperation is the main form of trade cooperation between countries or regions along the Belt and Road, followed by North-South cooperation. China has signed 11 trade agreements with countries or regions along the Belt and Road, which is still dominated by South-South cooperation and supplemented by North-South cooperation. However, with the rapid economic development of developing countries, the influence of developing countries can no longer be ignored, and the Western trade protectionism forces have been attacked. In recent years, the forms of North-South cooperation have been on the rise. The main type of agreement adopted by countries or regions along the Belt and Road is FTA. The trade agreements signed by countries or regions along the "One Belt and One Road" involve more content of trade in goods, and take bilateral cooperation as the main form of trade agreement, less multilateral cooperation. It shows that countries or regions in the region pay more attention to their own trade in goods, and the adoption of bilateral trade is also for the purpose of improving the efficiency of agreement negotiation and implementation. The fewer contracting members, the easier it is for both sides to reach an agreement, so as to realize unimpeded trade.

2. Achievements in FTA Construction between China and Countries Along the Belt and Road Initiative

China is actively promoting FTA development with countries or regions along the Belt and Road. With the deepening of the Belt and Road Initiative, China has been actively engaged in multilateral trade cooperation with countries along the Belt and Road. In recent years, China has signed FTAs with Maldives, Georgia and Cambodia. These three countries are all located in the regions along the "One Belt and One Road", among which Maldives is the central region of the Maritime Silk Road, while Georgia is the node region of the overland Silk Road Economic Belt. The conclusion of FTA between China and the two countries is not only conducive to the promotion of bilateral trade. It also plays a leading role for other countries along the Belt and Road and even countries in Eurasia to conduct trade cooperation or sign agreements with China. The FTA between China and Malaysia and China and Georgia will serve as a driving force for the further development of the maritime and land Silk Road. The China-Cambodia Free Trade Agreement was signed in October 2020. Cambodia has the lowest level of economic development among the countries signing the FTA, and the scale gap between the two countries is relatively large. However, in the two years of trade cooperation under the background of the FTA, the import and export of national goods have greatly increased, and the total trade volume reached 11.144 billion US dollars, increasing by 37.28% year-on-year. It can be seen that the two countries with unbalanced economic strength can also realize trade cooperation through complementary resources endowment and comparative advantages. At the same time, the preliminary FTA negotiations with Moldova, Pakistan, Israel and other countries are going smoothly, and the preliminary feasibility study of the FTA with Nepal, Mongolia and Bangladesh has been launched.

The number of FTAs between China and African countries along the Belt and Road has reached zero. Before 2016, China did not include African countries in its FTA construction network, and the countries along the routes in this region will not be included in its FTA signing objects. However, in 2017, China and Mauritius officially started the preliminary FTA negotiations, and in 2019, China and Mauritius officially reached a free trade agreement. Mauritius is the first African country to sign a free trade agreement with China. The quality of this free trade agreement is high. The content of this agreement includes not only the traditional "WTO+"

clause, but also the highly innovative "WTO-X" clause along with the development of The Times. The liberalization rate of trade in goods between China and Mauritius reached 96.3%, while the liberalization rate of trade in goods between Mauritius and China also reached 94.2%. The two sides have opened more than 200 service sectors in the service sector of the two countries, and the investment and trade protection rules of enterprises of the two countries have been further improved on the basis of the original. In a word, the FTA between China and Mauritius has opened up the channels and areas of economic and trade cooperation between the two countries, and has also become an example for other African countries along the routes to carry out economic and trade cooperation with China.

China is negotiating to upgrade its existing FTA. With the increasing number of China's free trade zones and free trade cooperation countries in the world, the number of China's free trade agreements is also gradually increasing. Improving the quantity of FTA is no longer the main objective of our country. We pay more attention to the signing of high-quality FTA and promoting the quality of existing FTA. In order to further deepen the economic and trade relations between mainland China and Hong Kong and Macao, the mainland has first carried out comprehensive negotiations and upgrading of the FTA between Hong Kong and Macao. The Free trade Agreement between China and ASEAN was signed in 2002. Due to the earlier signing time and the low quality of the Middle East FTA, China and ASEAN have fully implemented the upgraded free trade agreement since 2019. The upgrade of the FTA has made it cover more issues in the new era, and updated the defects existing in the original FTA, so that the enterprises and people of the contracting parties can enjoy more benefits and preferential treatment of the FTA. The China-Singapore FTA, the China-Chile FTA, and the upgraded China-Pakistan FTA also took effect in 2019, and the China-New Zealand FTA upgrade negotiations have been completed. China is now actively pushing forward the China-ROK FTA and China-Peru FTA upgrade negotiations.

3. Evaluation of FTA Construction between China and Countries Along the Belt and Road

The center of China's free trade zone network is in East Asia. Through the analysis of the FTA partners that China has signed and is negotiating, it is found that the FTA partners that China has concluded with the regions along the "Belt and Road" are mainly in East Asia. The main reason is that the main goal of China's current FTA expansion strategy is to first establish regional economic cooperation relations with neighboring East Asian countries and devote itself to establishing a regional economic cooperation network based on neighboring countries. China has a lot of trade with East Asian countries. The trade volume between China and East Asian countries often exceeds 60% of China's total foreign trade. Since the reform and opening up, the investment from East Asian countries in China has always taken up the main part of the total foreign investment attracted by China. Therefore, there is more trade cooperation between China and countries along the "Belt and Road" in East Asia, and the number of FTAs concluded is also relatively large. At present, the countries or regions that have signed FTAs with China and are located in East Asia include Singapore, ASEAN, New Zealand, Hong Kong and Macao, etc. Meanwhile, China has completed the preliminary FTA negotiations with Australia and South Korea.

The quality of FTAs concluded between China and countries along the Belt and Road Initiative is not high. Although China pays more attention to the quality of FTA and takes the initiative to improve the standard of economic and trade rules, there are still big differences in the FTA between China and developed countries. China has come into effect the FTA liberalization of trade in goods, services, trade and investment, the agreement content three aspects of the overall level is higher, but with CPTPP (comprehensive and progress the trans-pacific

partnership agreement) and RTA (regional trade agreement), and other trade agreement protocol standard is higher than China and countries along the "area" signing FTA, There is a big gap with other trade agreements in terms of the rules and standards of the agreement and the level of national openness, and there is a big gap in the depth of the agreement.

The deep integration between China and the "Belt and Road" FTA is gradually deepening. The rise of new regionalism in recent years divides global free trade agreements into three levels. The first level is the most basic level, while the second and third levels of free trade agreements are more deeply integrated, usually have higher quality, and the contracting parties have larger space for cooperation. Currently, the content of China's FTA is mainly at the second level, which includes trade and investment integration in three aspects: trade in goods, trade in services and investment. However, there is still a certain gap in the depth of re-agreement with the FTA signed by developed countries. With the advent of The Times, China began to adopt the method of gradual research and negotiation in the preliminary feasibility study and negotiation of FTAs with other countries, and the issues under consideration became more and more comprehensive. The development of China's FTAs gradually showed a trend of deep integration. The deepening of China's FTA began with the China-New Zealand FTA signed in 2008. The content of the FTA was reached by the two contracting parties at one time. Since then, FTAs negotiated or signed by China have continued to show the characteristics of strengthening the depth and level. However, on the whole, so far, the FTA signed between China and countries along the "Belt and Road" is still at a relatively low level of deep integration, and the topics covered by the agreement are not comprehensive enough.

4. The Promotion Strategy of FTA between China and Countries Along the Belt and Road

China should devote itself to studying trade agreements with such standard rules, and improve the rules, standards and quality of FTAs signed with countries along the Belt and Road. Future FTAs should take high-quality development as the main goal, take the initiative to align with high standards of agreement rules, and insist on upgrading existing free trade agreements. First of all, we should improve the level of market access in the domestic market, on the basis of maximizing the benefits of the contracting parties, further enhance the commitment to trade and investment, and strive to make the liberalization rate of bilateral agreements brought by the FTA reach above 97%. Actively opening up our service trade market, giving contracting parties optimum trade country treatment, and establishing perfect and stable dispute settlement mechanism will help strengthen the free trade effect of FTA on both sides. Secondly, our country should take the initiative to learn the establishment standards and requirements of developed countries' FTA, improve the coverage of "WTO-X" clauses, such as intellectual property rights, environmental protection, culture and other issues, expand its proportion in the content system of FTA, and gain the dominance of new topics. Finally, both contracting parties should pay attention to the publicity of FTA content in their own countries and the publicity of FTA in domestic foreign trade enterprises, and establish trade agreement database for domestic enterprises to inquire and apply, which is conducive to improving the utilization rate of FTA in foreign trade enterprises.

Explore potential countries along the "Belt and Road" to sign FTAs with China, and expand China's free trade area in partners along the Belt and Road. In the future, while actively promoting opening up and establishing free trade areas, China will treat all countries along the Belt and road as equals and implement the strategy of free trade cooperation without discrimination. We should adopt a more inclusive attitude and more favorable policies to expand our free trade agreement space with the countries along the belt and road, and actively seek the convergence of interests between our potential trade partners and the countries along

the belt and road, so as to become the driving force for these countries to sign FTA with us. First of all, China's FTA should focus on developing countries and least developed countries, and further study and explore China's FTA model with them. China can take the China-Cambodia FTA as a model, and unilaterally give the least developed countries the highest preferential treatment, and adopt a different way from other contracting partners in promoting the bilateral trade liberalization rate, which requires greater flexibility. China should tap and combine its resource endowment and trade advantages with those of the most unequal developed countries, complement each other's trade characteristics, and come up with innovative technological cooperation mechanisms that suit the economic and trade development of the two countries. Secondly, China should coordinate the distribution of trade income after the agreement with the least developed economies takes effect, balance the interests of both sides, and make appropriate concessions in the distribution of income when necessary.

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