

It Takes Two to Tango: Commercial Relation Beyond Of Bilateral Agreement, China and Colombia to Sign a Free Trade Agreement

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The main idea of this study is the negotiation with China within the general framework of Colombia's economic and social policy, and to explain the reasons why it makes sense to negotiate this treaty. It's been argued in the FTA document, which is an efficient policy in its substance, and several economic fundamentals are presented in order to identify the opportunities and risks, and then the agreement would generate more profits for Colombia's economy. This study will look at the feasibility of a FTA between the Peoples Republic of China (PRC) and Colombia. The formulated research question will explore the various advantages to the Colombian economy of such an agreement. This study begins with the theoretical framework of regional integration agreements and the classical rationale behind free trade. It is this understanding that motivates the one hundred and fifty plus, current agreements worldwide. This essay then tackles static and dynamic analysis of trade flows and high-level quantification of increased trade. Should Colombia engage in a regional trade agreement with China, if so, which specific industries are most sensitive to tariff reductions? Finally the study concludes with policy recommendations and a suggested asymmetry in FTA structure.

Key Words: Tariff and non-tariff lowering of barriers, FTA Sino-Colombia, exports and imports, decrease of poverty, economic growth, investment

Introduction

Overall background

In principle, countries are beginning to look a certain way to implement FTA decisions with the countries in which they may have asymmetrical bilateral relations in order to make savings with a self-sustaining growth, such as in the past 12 years. Chile, a South American country, which is a dynamic economy since joining the WTO in 1995 (MEMBER INFORMATION Chile and the WTO), Jiang, (2006), and hence has negotiated trade agreements with almost all Latin America and Canada, and on the other hand by increasing their bilateral relations with Europe, China, Korea and the United States. Chile has managed a balance on current account on an average for USD2 million in the 1980s entering the WTO (1995). Since then Chile had a fall in the year 1998 of USD4.5 million. For this purpose, Chile remained in this period with a deficit of USD1 billion; thus Chile, as many countries, has implemented strategic measures to have a stable surplus, freeing their economies to other markets.

Moreover, the United States has carried out the strategy of implementing FTAs, which has resulted in trading with countries like Canada, Mexico, Israel, and others, as it currently has with Chile. These measures are international trade policies to provide bilateral agreements, which are made with the overall objective of maintaining FTAs between countries (Lan, 2003). So, the United States implements a FTA with Latin America, due to the failure of the construction of the FTAA that gave a total free trade area among all countries of the axis of the American continent (33 countries).

By granting free trade treaties, productivity increases to be highly dynamic business globally. Countries in track development and low-growth will have the ability to acquire more and more modern technologies at lower prices, which makes them more competitive in the international markets, while noting that countries that have free trade treaties such as China - India, United States - Australia, Japan - Thailand, Europe - MERCOSUR, Tables 1, 2, 3, 4 and 5; have the best opportunities to increase the added value of their deals in the global export.

Table 1. FTA in the World.

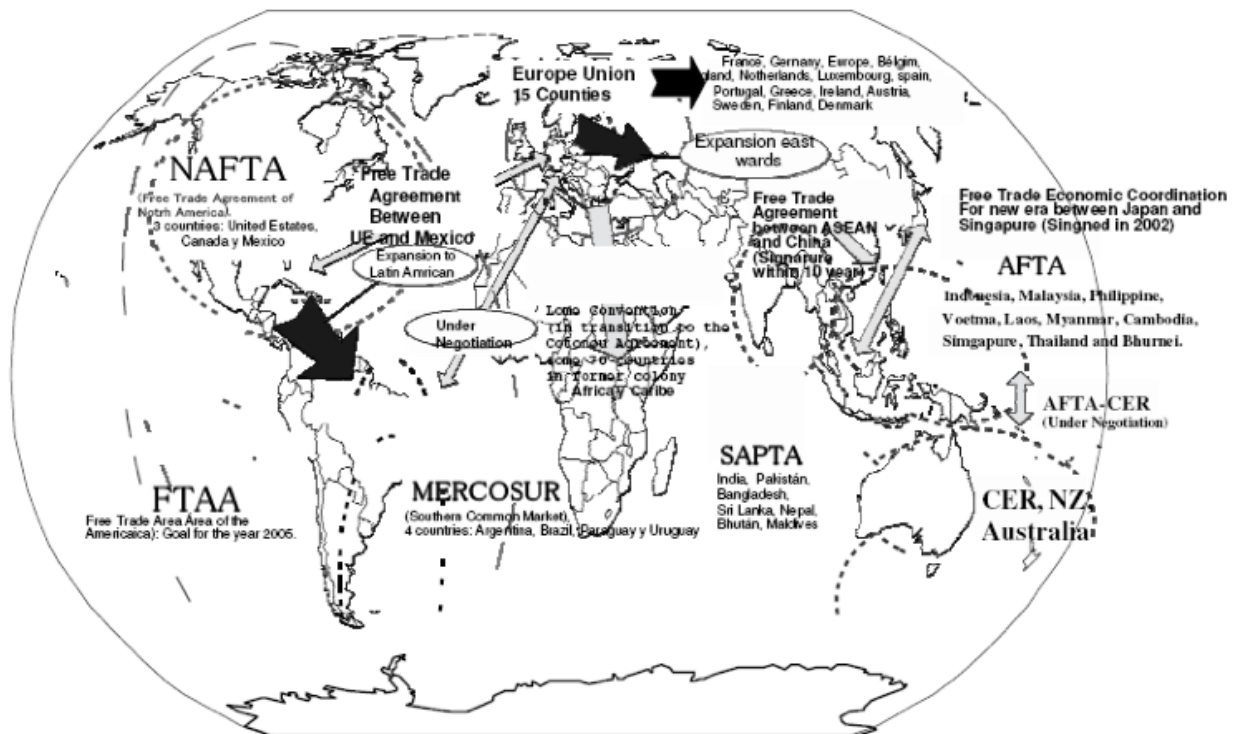
FTA in The World							
1	Australia-China	12	EU-India	JPEPA - Japan-	32	US-DR-CAFTA	
2	Australia-Japan	13	EU-Korea	23	Philippines Economic	33	US-Korea
3	Australia-Thailand	14	EU-Mercosur	24	Partnership Agreement	34	US-Malaysia
4	Canada-Korea	15	FTAA	25	or "JPEPA"	35	US-Morocco
5	China-India	16	India-ASEAN	26	Korea-ASEAN	36	US-Oman
6	China-Thailand	17	Japan-ASEAN	27	NAFTA	37	US-Panama
7	EU-ACP EPAs	18	Japan-India	28	New Zealand-China	38	US-SACU
8	EU-ASEAN	19	Japan-Indonesia	29	New Zealand-Thailand	39	US-Taiwan
9	EU-CAN	20	Japan-Mexico	30	US-Andean countries	40	US-Thailand
10	EU-Central America	21	Japan-Thailand	31	US-Australia	41	US-UAE
11	EU-GCC	22	Japan-Vietnam		US-Bahrain	42	Colombia - Canada
					US-Chile	43	Colombia - United States

Sources: Saul Rick (2013).

Table 2. Other Bilateral Agreement in Africa Middle East

Other Bilateral Agreement in Africa Middle East					
1	Argelia - UE	5	Egypt - Turkey	8	GCC (Gulf Cooperation Council)
2	Areliá US	6	Egypt - UE	9	Saudi Arabia and Switzerland
3	Egypt - US	7	GCC - Singapore	10	India, Saudi Arabia
4	US - Israel			11	US and Saudi Arabia

Sources: Saul Rick (2013)



Map 1. Principal Free Trade Agreements in the World (data until July 2009); Sources: Saul Rick (2013).

Table 3. Other Bilateral Agreement in Asia and Pacific

Other Bilateral Agreement in Asia and Pacific				
1	Australia	6	Japan	11 P4 (Brunei, Chile, NZ)
2	Bangladesh	7	Korea	12 Singapore
3	China	8	Malaysia	13 Sri Lanka
4	India	9	New Zealand	14 Thailand
5	Indonesia	10	Taiwan	15 Vietnam

Sources: Saul Rick Fernandez Hurtado, (2013)

Table 4. Other Bilateral Agreement in Europe

Other Bilateral Agreement in Europe	
1	EFTA
<p>The European Free Trade Association (Iceland, Lichtenstein, Norway and Switzerland) has entered into bilateral FTAs with Chile (signed 2003), Israel (1992), Jordan (2001), Korea (2005), Lebanon (2004), Mexico (2000), Morocco (1997), the Palestinian Authority (1998), Turkey (1991), Singapore (2002) and Tunisia (2004). On 1 July 2006, EFTA signed an FTA with the Southern Africa Customs Union its first FTA with Sub-Saharan Africa.</p>	

Sources: Saul Rick (2013).

Table 5. Other Bilateral Agreement in North and South America

Other Bilateral Agreement in North and South America		
1	Mexico	3 Canada
2	Chile	4 Peru
7	United States	5 Brazil
		6 Uruguay

Sources: Saul Rick Fernandez (2013).

With this strategic shift taken by the major economies, such as the United States, Brazil, China, India, Europe; Lawrence, M. (2006) table 6 Big Economics, we want to have an impact on free trade treaties, increasing exports at the markets involved in the treaty.

Assuming the full lowering submitted by the export trade, it is now reaching a larger significant increase for the GDP of each economy, figure 1. Global GDP Grow.

Table 6. Major Economics

		Major Economics					
1 to 7th	EE.UU.	Japan	Germany	R. Unite	France	China	Italy
	12452	4672	2800	2197	2113	1910	1719
8 to 14th	Spain	Canada	Korea	Brazil	Russia	Mexico	India
	1124	1106	799	789	772	767	746

Sources: Saul Rick (2013).

In addition to trade becoming more free and more competitive, it is believed that reductions in trade barriers are the most appropriate strategy to encourage and increase trade, in addition to the unfair competitive trade such as "dumping⁷" and subsidies that many developed economies used, regardless of treaties, in order to protect their most sensitive sectors in which these measures discourage fair competition

and equity. Therefore, the gradual reduction of trade barriers is the key to international trade, and there must be increased measures of antidumping⁸ markets and greater equity.

Finally, cannot fail to mention own criteria, about the primary role of education in economic and social development of countries in general.

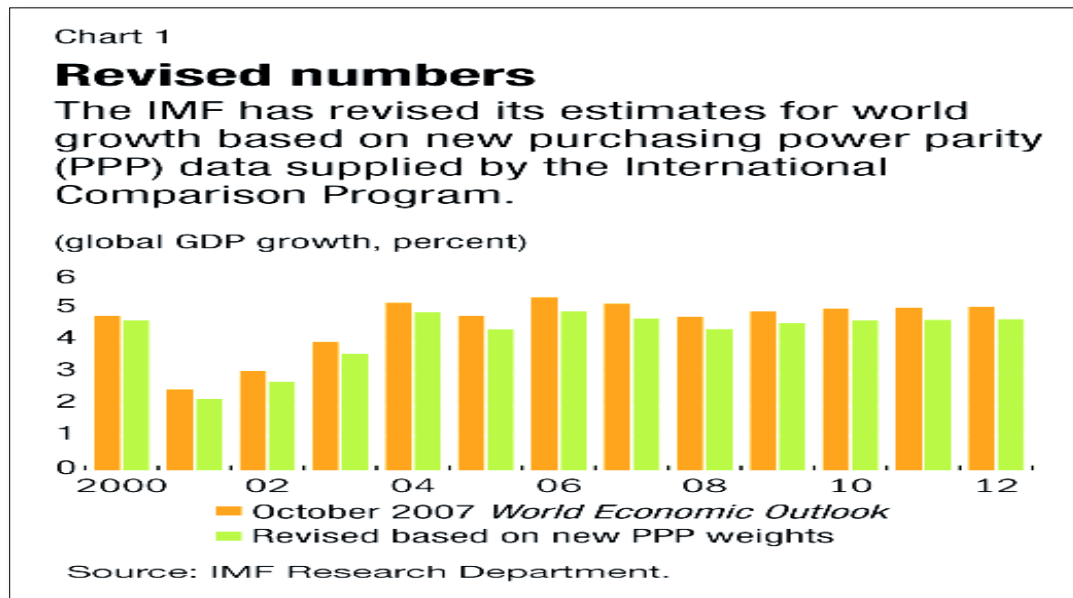


Figure 1. Global GDP Growths.

Based on the information of this overview, may think if there is a need to continue with these increases in bilateral FTAs to strengthen the various economies. See that in addition to the basic theories of free trade, there are more arguments on the literature.

Conceptual data framework

The main objective of this framework is to have an integration of Sino-Colombian free trade to sustain a free trade zone without exclusion of products, services and investment with the full elimination of all tariff and non-tariff barriers, which makes it difficult to have a direct access into these two markets.

The Sino-Colombia proposal will be achieved by stages in the process of negotiation between the two nations in order to build the free trade area that will generate greater business opportunities in all dynamic and non-dynamic sectors, as well as to strengthen Liu, H. and Roos, L.U. (2006); Madhok, A. (2006), the two countries trade and investment without the express purpose of dumping what are permanently raised by developed countries such as China, that maintains subsidies on certain productive sectors which are badly viewed in international trading.

Free trade is the best way to create wealth, because people trade goods and services to meet needs and increase production and productivity of a country.

Therefore, it will have higher growth in the economy, raising the standards of living of both

countries and with the subject of negotiations to establish a free trade area, with measures applied progressively to eliminate barriers to trade goods, services and investment, at the time the governments sign the treaty.

Must bear in mind that China is a country of maximum commercial acceleration, and a large exporter worldwide, as reflected in the forum "BOAO Forum for Asia 2008 Opens"; a vast majority of Asian countries was involved in this annual event, Representative of United States, President of Chile and others. Then, it is desirable that Colombia becomes an essential part of this annual forum held in the country of China, with the purpose to increase our bilateral relations, which should take preferential measures for Colombia in the development of tariff reduction (Customs Tariffs of China 1999).

Seeking asymmetric lowering is convenient for Colombia, since China as detailed and studied is a developed country that has the capacity to sustain a more rapid reduction in the short term or immediately deduced tariffs to products or sectors that Colombia exports to China. In other words, China must use the model of the Basket A and B. Basket A confirms that China must immediately remove tariffs (Customs Tariffs of China) when entering process of the FTA, and the Basket B confirms that the deduction is to eliminate tariffs for 5 years (by dividing the total tariff Yang, H., Van de Vliert, E. and Shi, K. (2005) of five years and the result will be subtracted year to year tariff basis). Note table 7.

Table 7. Assumption 1: Baskets and Periods of Lowering of Barriers

Baskets and Periods of Lowering of Duties	
Short Term	It frees Immediate commerce (basket A and G) Lowering of duties in 5 years, of linear way (basket B)
Medium Term	Lowering of duties in 10 years, of linear way (basket C) Lowering of duties in 10 years, of way nonlinear -2% years 1 and 2; 8% years 3 to 6 and 16% of year 7 to the 9. (basket M)
Long Term	Lowering of duties in 12 years, of linear way (basket N) Lowering of duties in 15 years, of linear way (basket D) Lowering of duties in 15 years, of way nonlinear - 6 years of grace, year 7 to the 10:8.25% annual and of year 11 to the 14:13.4% annual (basket E)
Other Categories	Exclusion (basket H) Linear lowering of duties in 20 years, with a period of grace of 10 years (basket F)(basket F) Nonlinear, special lowering of duties in 15 years. 15% tariff at the beginning, 3 years of grace, reduction of 6,6% of year 4 to the 8. Of the year 9 to the 14, annual reduction of 9,6% (basket Q) Lowering of duties in 18 years, of way nonlinear, with a period of grace of 10 years, year 11 to the 14:8.25%; and of the 19 year 15 to 16.75%. (basket P)

Sources: Saul Rick (2013).

In regards to the policy of asymmetric short-term lowering using Basket A and B to international market, it is necessary that Colombia applies this kind of politics, the opposite will create big disadvantages in the free trade with China as:

- Increased asymmetries by differences in the economies of scale and impact on industry and agriculture
- Commercial Insulation
- Increased competition in our market in the short term
- Failure of special and differential treatment
- Losses of export markets and investment opportunities

These parameters are necessary to carry out rules or policy categories of lowering periods called free trade linear categories, linear categories with grace periods, nonlinear categories, categories not linear with grace periods and finally can look for some exclusions; where tariffs will groundwork for the annual reduction sectors and/or products, services and investments, as can be perceived in the regulation baskets (Agriculture, Industry, Service and Investment sector), Zhu, M., Camp, R.C. and Garg, R. (2005). In addition, during this process of FTA China Chen, A. (2002) should consider the following points in relation to the

economic development currently presents Colombia.

! Bear in mind the difference in the levels of development and size of the Colombian economy, with regard to China's economy.

! Promotion and facilitation of Colombian exports because it is a small economy to be considered in the development process

! Transparency in the negotiations of the two countries
! Be mindful of the principles of the WTO throughout the negotiation process

! Nothing will be negotiated until that is negotiated.

Also, a reduction policy must be applied. This consists in transition rates approaching the nearest tenth percentage e.g.

Also, a reduction policy must be applied. This consists in transition rates approaching the nearest tenth percentage e.g. If the lowering tariff in year 5 is 7.83%, 7.8% tariff will be implemented and, if the fee trade is 6.55% the tariff will be 6.6%.

Taking into account that implementing policies in productive sectors for Colombia and China, these countries will have access to markets for Agriculture, Industry and Textile Industry, Services and Investment; driving the next level of lowering and other suggestions.

Agriculture Sector

It will have 100% of exportable supply from Colombia, which is proposed to implement a tariff-free trade when signing the FTA with China, i.e., China will

have in this sector according to Basket A. Here the lowering is immediate for agricultural products imported from Colombia, as note be in table 8.

Table 8. Assumption 2: Tariff Fraction and Tariff Bases

Free Lowering of Duties Commerce		
Basket A	Definition	Example
	Total elimination of tariff basis	Tariff fraction: xxxx.xx.xx.xx - Floral adjustments
		Actual Situation: 15% of tariff
		Immediate situation to the signing of FTA: 0% of tariff

Sources: Saul Rick (2013).

With respect to Colombia, at the time the agreement applying lowering non-linear grace period for agricultural products imported from China, corresponding to 15 years with grace period of 6 years, in which the 0% tariff begins from the 15th year. Colombia must make internal regulations to accommodate the new situation in order to compete with the large market that China represents.

In addition, Colombia lowering with these standards will have a period in which it increases its levels of export of agricultural products, thus promoting employment levels; this for the next 6 years will be an improvement of Agrarian reforms implemented to accomplish its annual reduction, that will not affect the level of employment and the economy in general flowing through this area.

Table 9. Assumption 3: Tariff Fraction and Tariff Bases

Lowering of Duties Nonlinear with Period of Grace					
Basket E	Definition				
	Elimination of the tariff bases on 15 years of way nonlinear.	6 years of grace			
		Of year 7 to the 10: 8.25% annual			
		Of year 11 to the 14: 13.4% annual			
	Tariff Fraction: xxxx.xx.xx.xx – grain sorghum				
	Tariff bases: 20%				
	Period of grace: 1 al 6: 0% of the tariff it bases				
	Annual lowering of duties of year 7 to the 10: 1.65% of Based tariff				
	Annual lowering of duties of year 11 to the 14: 2.68% of the tariff base				
	Year	Tariff	Lowering of duties each year	Points percentage by year	% Accumulated
	1 to 6	20.0%	Period of grace	0.0%	0%
	7	18.4%	8.25%	1.65%	33%
	8	16.7%			
	9	15.1%			
	10	13.4%			
11	10.7%	13.4%	2.68%	67%	
12	8.0%				
13	5.4%				
14	2.7%				
15	0.0%	-	-	-	

Sources: Saul Rick (2013).

In the process of lowering for the agricultural sector, it is also proposed to handle Basket E for products imported from China. Besides, some tariff lines in this sector can be handled as other Basket, Medium-and Long-Term, which can be seen in table 8 of their respective Baskets Lowering.

This advantage of acceleration in China and lowering slower in Colombia is because as affirmed "China is a net exporter country in many areas such as this one which referring at the moment", and seen that China in the Agricultural sector from 2000 to year 2006 shows a growth of agricultural exports of 98.6% with values of USD16,384 million and going to USD32,543 Million in 2006, and Colombia, with exports of USD3,106 Million in 2000 to USD4,922 Million in 2006, which has a poor growth represented in 58% of its exports and low volume.

Thus, noting that Colombia has net exports of the agricultural sector to China with a deficit rate of - 24.58%, exporting USD534, 923 dollars in 2006 and in 2007 a worth of USD403, 433 dollars.

China accounts for 3.45% of the total exported

worldwide in which Colombia has only a minimal percentage share of global exports with a percentage of 0.52%.

Industry Sector

In this sector of dynamic economies, such as the Chinese economy, it is proposed that upon the signing of a free trade tariffs there is a reduction of 50% with a period of 3 years of grace. It is seen in table 10, that the rebate is nonlinear, which started in the year 15 with 0% tariff for industrial products exported to Colombia.

Both countries have the potential to improve internal trade by the reduction of various sectors to be consumed by their people, and these measures apply to all tariff lines of the industry so that there is an increased consumption by both parties, also that consumers must get the benefits offered by these international policies Dong, Y., Xu, H. and Liu, F. (1998).

Table 10. Assumption 4: Tariff Bases 30%, Initial Tariff 15% at Beginning of the Treaty

Basket Q	Tariff of 15% at the beginning of the Treaty				
	Of year 1 to year 3, 0% of reduction				
	Of the year 4 to year 8, annual reductions of 6.6%. (33%)				
	Of the year 9 to year 14, annual reductions of 9.6%. (67%)				
	Tariff of 0% as of year 15				
	Lowering of duties Categories nonlinear				
	Tariff bases: 30%. Initial tariff: 15%				
	Year	Tariff	Lowering of duties each year	Points percentage by year	% Accumulated
	1 al 3	15%	Period of grace	0.0%	0%
	4	14%	6.6%	0.99%	33%
	5	13%			
	6	12%			
	7	11%			
	8	10%			
	9	8.6%	9.6%	1.44%	67%
10	7.2%				
11	5.7%				
12	4.3%				
13	2.9%				
14	1.4%				
15	0.0%	-	-	-	

Sources: Saul Rick (2013).

China in the same industry, which is a nonlinear category with grace period of 10 years. The 0% tariff begins to govern from year 18 in the market for

products imported by China from Colombia; note following table 11.

Table 11. Assumption 5: Lowering Categories Non-Linear with Period Grace

Lowering of duties Categories Nonlinear with Period Grace					
Basket P	Lowering of duties nonlinear in 18 years				
	Period of grace of 10 years				
	Of the year 11 to year 14, annual reductions of 8.25%. (33%)				
	Of the year 15 to year 18, annual reductions of 16.75%. (67%)				
	Tariff of 0% as of year 18				
	Tariff fraction 1006.20.00 – Chipped rice				
	Tariff bases: 62%				
	Period of grace of 10 years				
	Annual lowering of duties of year 11 to the 14: 5.11% of the tariff base				
	Annual lowering of duties of year 15 to the 18: 10.4% of the tariff base				
	Year	Tariff	Lowering of duties each year	Points percentage by year	% Accumulated
	1 al 10	62.0%	Period of grace	0.0%	0%
	11	57%	8.25%	5.1%	33%
	12	52%			
13	47%				
14	42%				
15	31.2%	16.8%	10.4%	67%	
16	20.8%				
17	10.4%				
18	0.0%	-	-	-	

Sources: Saul Rick (2013).

In this trade policy between the two countries, it was also proposed that Colombia presents a trade surplus with China of this sector. The only reason of this sector is that the values compared to those in China are much lower, thus applying Basket P, which will give a grace period of 10 years; in other words, an accelerated lowering in the market for Gadde, L.E. and Snehota, I. (2000) Colombian products to China and a slow reduction in the market for products from China Lo, C. (2002).

Service Sector

With the points studied and the behavior watched for foreign trade in China, this it is also a rich country in service delivery, and as know, Colombia has a poor growth in this sector. Therefore, it represents a trade deficit with China in this sector create 5.79 million jobs annually (average from 2005 to 2011), with values of USD419.1 billion (2012), compare with \$66 billion in 2000, the service sector represents about 70

percent of the total economy, In China, the figure is just about 43 percent. By 2015, Wei, Z., Varela, O. and Hassan, M.K. (2002); Xinhuanet (2004), China's service trade will reach \$600 billion and the industry will account for 47 percent of GDP (Chinese Government Data, 2012). Colombia does not deal well with export values of this sector to China in 2006 with a value of USD134,049 moving to a negative growth of USD102,197 in 2007, however Colombia globally grow in 2011 was 55.5%.

Therefore propose to ensure that Colombia continues with the momentum seen over the past two years, where Colombia had increased its exports from 74% destined for China, and with regard to this sector so necessary its economy. The policy of international reduction services sector, as applied to products imported from China in Colombia, will be with linear gradient to 10 years with regard to Basket C, in which the tariff 0% shall apply from anus 10, as shown in table 12.

Table 12. Assumption 6: Basket C lowering lineal

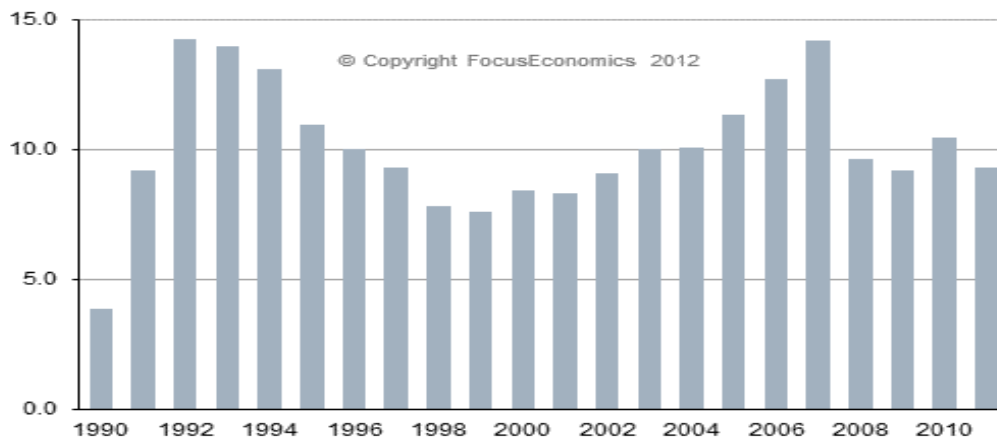
	Definition	
Basket C	The elimination of tariff basis in 10 equal parts	Tariff fraction: xxxx.xx.xx.xx – Cauliflower and broccoli
		Tariff bases: 15%
		Annual lowering of duties: 1,5 % of tariff bases
		Actual Situation: 15% of tariff
		Situation year 1: 13.5% of tariff
		Situation year 10: 0% of tariff

Sources Saul Rick (2013).

Finally, as have seen previously, Colombia shows a trade deficit with China in this sector like others. It is proposed that this sector service is lowering immediately at the time of starting the agreement between the two countries, as demonstrated in table 8, Bianchi, C. and Arnold, S. (2004) given that Colombia will have an improvement during consecutive periods lowering applied to China for 10 years, to come to an agreement and each one will see more balanced,

comprehensive and equitable trade.

Additionally, would spell out that the China economy in the service sector presents a positive variation of the GDP from 1999 to the end of 2010, which is also affected by the impact of September 11, as shown in figure 2, and equally affecting economies worldwide, China global service export analysis, the United States and other countries.



*Note: Annual variation of gross domestic product (GDP) in %.

Figure 2. Annual variation of gross domestic products (GDP) in %. Source: National Bureau of Statistics of China and Focus Economics calculations.

Investment Sector

This sector by itself (as the entire study performed in this research) is a sector that is supremely important for any economy in the world, and more for Colombia (developing economy), which requires higher levels and is guarded by the same countries that invest in these countries receiving foreign investment. The

main objective is to increase the level of national employment in the recipient country, but as was mention, with investors monitoring in preventing diversions of any kind in the execution of investments and employment skill.

Colombia is a country that requires even more international investment and is even more conducive to investment in the country of origin of China, which

could have the ability to produce goods and services in Colombia to be exported to other neighboring countries. China would have the advantage of exporting products to other countries with 0% tariff levels, since Colombia with countries like the United States has tariff advantages of the agreement APTDEA (Chamberlain, Gary, and Edward. Leamer. 1976). Colombia can probably become the bridge between these two markets by producing products in the region with Chinese investment for export to the United States, given that the FTA with Colombia to the United States it is running from October 2011, was accepted by the government of United States "Senate-Congress of the United States," and was implemented between the two countries.

China would leave behind the responsibility of paying high taxes on exports to the United States with taxes that are represented at USD6,000 Million, a sum which is clearly important for the economic growth of a country.

This principal research goal is to apply for this free-trade treaty Sino-Colombia, the immediate lowering to taxes and/or fees sector investment for both countries. As shown in the previous table 8.

Why China?

To date, China is the most important market given its large population, which is composed of more than 1.3 Million People (going to reach the 1.4 Million

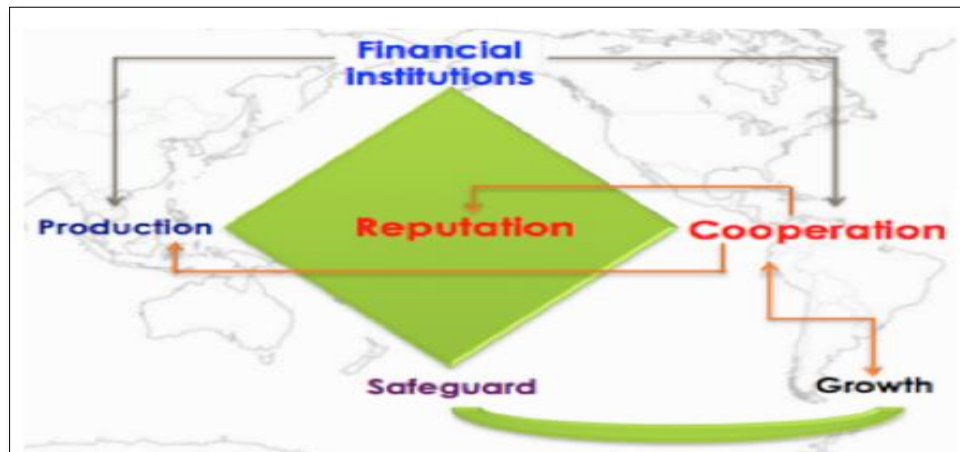
Peoples). It also has consolidated a position as one of the largest industrial and commercial sectors in intensive manufacturing, its economic manpower, and in this way is positioning in a market Hamel, Doz, and Prahalad, (1989) increasingly important for the rest of the economies through complementary trade, and succeeding by its facilitation in trade and investment liberalization of the market since.

Likewise, China today has become the largest exporter in Pacific Asia and the World portfolio with technology products; a production strategy implemented in different countries or economies and thus has become a country with a dynamic and productive financial integration Bournois, and Chavalier (1997).

Within this specific point, the authorities have upgraded the principles of the strategy of bilateral and multilateral agreements.

In addition, it is possible to establish the proposed FTA between the two countries, since China is negotiating FTAs with other countries or economic groupings such as the ASEAN and is in the stage of feasibility study with Australia and a FTA with India, and there have been previous cooperative between China and Colombia.

The preferential treaties with China in the FTAs translate into benefits for bilateral partners compared to other countries, in a recent publication, Rick, S (2012) argued with the following variables that are useful to this study of Bilateral FTA.



Source: Rick (2012)

Scope of study

The Objectives of this Agreement are to promote and enhance mutual trade and economic cooperation between Colombia – China by, inter-alia:

- a) Eliminating barriers to trade in, and facilitating the cross-border movement of goods between the territories of Colombia and China
- b) Promoting conditions of fair competition in the free trade area, and ensuring equitable benefits of two

countries, taking into account their respective levels and pattern of economic development

c) Creating effective mechanisms for the implementation and application of this Agreement, for its joint administration and for the resolution of disputes

d) Establishing a framework for further regional cooperation to expand and enhance the mutual benefits of this Agreement

As a whole, this research tries to answer several important questions such as:

-The Globalization; is it Asymmetric to Expand Markets between Countries?

-Do Countries Will Require Increase FTA?

-How can Colombia and China exploit their advantages in production in their markets and at the same time increase their economics and trade?

Literature Review

During the decade of the 30s was the first attempt to coordinate trade policy at the international level. At first, countries were negotiating bilateral treaties. Since *World War II*, international organizations were created to promote trade between countries by removing barriers, whether tariff and non-tariff barriers. The General Agreement on Tariffs and Trade, known as GATT, signed by 23 non-communist countries in 1947, was the first multinational agreement that attempted to reduce trade restrictions. Over time comes to encompass more than 100 countries and affect 80% of world trade, currently to date (2008) the WTO involves 95% of world trade.

Since 1947, GATT had organized a series of international conferences or "rounds" of multilateral negotiations, the latest being the *Uruguay Round* and finished in 1993, where it was agreed to replace the

GATT for the World Trade Organization (WTO). The forecast for the twenty-first century means an increase of 25% in international trade, which corresponds to an increase of 500,000 million dollars in the whole world income.

Theory of Adam Smith absolute advantage, that applies to countries that have free trade. These countries will have a profit, which leads to specialization and the possibility of broad consumer demand potential.

According to this theory, countries must have open economies for a free trade at the international level, like countries such as Colombia and China to implement a free trade zone between the two nations, it will have better benefits given that it leads to specialization and these products that enter the free-trade treaty will increase the prospects of potential consumption, as announced by Adam Smith and David Ricardo.

The theory of absolute advantage states that countries should exchange products, as those that are not in the capacity to produce for themselves or have disadvantages in production costs, like Colombia and China. Colombia produces MP which China does not have the resources to produce this well, and if it does it would have high import costs. Imports between Colombia and China are Technology Products that Colombia imports from China and in the same way if produced in Colombia would have higher costs compared to importing them from China.

In this way the theory of Adam Smith refers to the countries exporting those goods and services, whose production requires less work than one or more countries that find it harder due to their high costs, and those imported products whose production will require more work than other countries since they have lower costs.

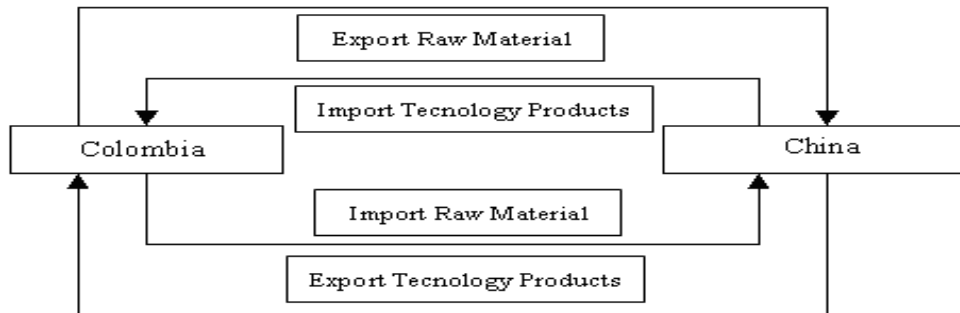


Figure 3. Exchange of Goods, Saul (2013).

According to Smith's theory can reach the questions, protectionism on the part of the mercantilist is not beneficial to the expansion of resources in different countries, as it does not help trade barriers for exchange of goods and it prevents the creation of more

businesses and jobs. In addition to having a FTA between two or more countries "Colombia-China" these benefit simultaneously and the economic indicators will have a positive increase.

Low cost of local natural resources describes the

Ricardini theory. According to the theory of Adam Smith, which states that countries should specialize in their products that possess absolute advantages and confirmed by Smith and Ricardo, argues that besides absolute advantage to be taken there is a comparative advantage in the ability silk in each country that has to make these products count well with the production capacity, comprised of Capital, Technology, Natural Resources and Labor.

Since the above details show that countries such as Colombia and China should exchange products through the production capacity, and the same country that possesses lower-cost production of a good or service must specialize in it, in addition to that quality and innovation assets are provided by the production capacity and expertise. This specialization of production must be in the Rick, and Laaria, M (2013a) country that has the capacity of domestic production, referred to as low-cost, and must implement the homogeneous trade of goods and services and/or theory of differentiated products.

Theories

Theory of Differentiated Products

This theory shows that the production of various countries such as Colombia and China hold identical or similar products, but with different characteristics as shown in the theory of differentiated goods vertically. Those countries that possess these bilateral or multilateral agreements must compete in the commercial exchange, not only through absolute advantage but also provide these value-added features or genuine production.

Theory of Differentiated Goods Horizontally

This theory states that our technology, capital and labor, play an important role in producing a good or service. The theory asserts that consumers increase their level of satisfaction and their needs with the same quality but manage with differentiation characteristics or attributes, which equates to comparative advantage.

Example: China specializes in the production of cotton shirts, which have different types of designs,

colors or prints, and so on.

Dixit, and. Stiglitz (1977), based on the Horizontal theory states that consumers have different taste for a variety of products. The theory of differentiated goods horizontally clarifies the concept that consumers are increasing their level of satisfaction consuming a greater number of varieties of a product being an asymmetrical consumption.

Theory of Differentiated Goods Vertically, Furthermore, the theory of differentiated goods vertically states that there was change in the quality of production, which followed the case of cotton shirts. China produced this with different presentations or drawings, in which Rick, S and Laaria, M (2013a) the change is given by the tissues used in the manufacture of shirts and wool, polyester, cotton, silk, etc., and could be find the same characteristics but different drawings and other quality of production.

According to the theory of differentiated goods vertically, there are countries that have some expertise. Falvey (1981), Falvey and Kierzkowski (1987), Flam and Helpman (1987) demonstrated that countries enjoy comparative advantages in the production of high-quality varieties and other countries for their low quality. Certainly, these comparative advantages depend on the high level.

Finally, having made a brief comment on these theories based on the characteristics of the Colombia - China bilateral trade, and arriving at the inter trade and intra-industry trade Rick, S., (2012), showing that a free trade treaty between these two countries will greatly assist in the economic growth and trade cooperation between nations.

According to the *Theory of Industrial Organization*, countries are careful not to introduce Dumping (inter-industry trade and intra industrial figure 4), as it is thought of in the case of trade in China, given the low costs of the goods or services to be exported. In other words, absolute and comparative advantage, which owns this market, will be tricked into believing that it is stated that the country of China is dumping on the international market. For that reason, Colombia and China should remain in an effective FTA to carry out the *theory of trade surplus* by Colombia and the creation of Anti-dumping processes between these two markets.

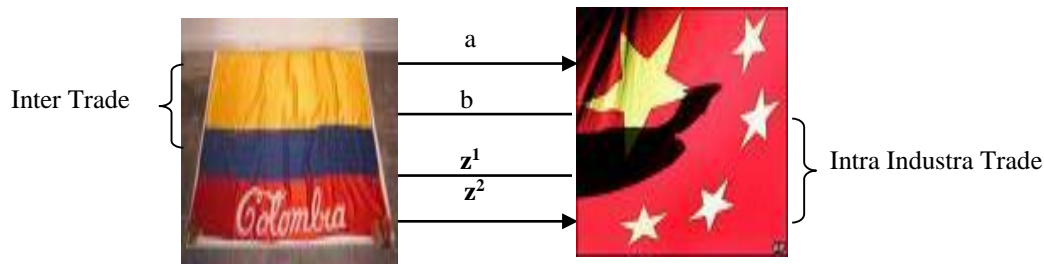


Figure 4. Saul Rick (2013).

Inter Trade: this includes the exchange of goods in different sectors figure 4. a, b, in which both countries are specialized in delivering comparative advantage participation at the levels of capital, technology and labor, which is also observed in more efficiency in the countries economically remote as in the case Colombia and China.

Intra-industry trade: this includes the exchange of production in the same sector or industry, figure 4. z^1 , z^2 , given the characteristics of the theory of differentiated products, in which the countries will have stronger growth in their economic scale, since it increases the pace of its business sectors.

Theory of Economics Integration

The theory of economic integration comes to know and understand the changes that occur as a result of the unification of markets of various countries in different stages or degrees. Normally it is often consider the simple “customs union” with which also is called “theory of the customs union”.

Economic integration produce changes in the overall efficiency, i.e. the total capacity to produce goods and services that meet human needs, and how to distribute what happened. But as it is not possible to compare the benefits of each other damages, the theory of economic integration was initially focused on studying the effects on the production system, leaving aside the redistributive effects Inkpen, (2000). Of course this has given rise to critical studies alternative that what is trying to measure the effects of integration on welfare, i.e.; analyzing together all intents and purposes.

Theory of Common Market

If it is true that economic theory is moving under the impact of the great historical upheavals and economic policy, may expect that the measures now being taken to foster international trade within theory. It is perhaps not by chance that the theories of monopolistic and imperfect competition originated in the thirties: at the moment when states felt the need to protect their Rick, and Laaria, (2013b) economy by building up tariff walls, to separate themselves from their neighbor's, it was perhaps natural that economics felt obliged to insist on those points which separate competitors from one another Falvey (1981), Falvey and Kierzkowski (1987), on what is monopolistic and unique in the situation of each of them. It would be rather surprising if the institution of the so-called "common markets" did not bring theoreticians to insist on some aspects of reality, which the theory of monopolistic competition tends to leave in the dark.

Theory of Customs Union

A customs union is an association formed when two or more sovereign states agree to eliminate or reduce trade barriers amongst themselves and to adopt a common trade policy toward non-customs union countries. A centerpiece of such a union is a Common external tariffs (CET) regime. CETs have emerged in a number of regional trade arrangements. In Central America, for example, a customs union between Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua exists and is structured around a 15% ceiling applicable to 95% of items subject to tariff. Similarly, the Common Market of the Southern Cone (MERCOSUR) (whose trade liberalization programmer Suzuki, Yuriko and Andrew Bernard (1987) has sought to establish a progressive, linear, automatic and across-the-board tariff reduction along with the elimination of non-tariff restrictions or equivalent measures in order to achieve a zero duty without non-tariff restrictions) has in place a customs union where the CET in place has duty rates from zero to 20% for some 90% of tariff lines.

Investment Theory and Strategies

An efficient market does not have to be perfectly to have a profound impact on investors. All that is required is that the market be economically efficient. That is, after acting on information to trade securities and subtracting all costs (transaction costs and taxes – to cite two), the investor would have been as well off with a simply buy-and-hold strategy. If the market is economically efficient, securities could depart somewhat from their economic (justified) values, but it would not pay investors to take advantage of these small discrepancies.

In this way, could see the investment from China to Colombia will increase in several sectors, as mentioned by the actual Colombian President Juan Manuel Santos at the time chaired a dialogue in China (2012).

Theory of Property Right

It is important to note that property rights convey the right to benefit or harm oneself or others. Harming a competitor by producing superior products may be permitted, while shooting him may not. A man may be permitted to benefit himself by shooting an intruder but be prohibited from selling below a price floor Flam and Helpman (1987). It is clear, then, that property rights specify Rick, and Laaria, (2013b) how persons may be benefited and harmed, and, therefore, who must pay whom to modify the actions taken by persons. The recognition of this leads easily to the close relationship between property rights and externalities.

By that party, must be careful in dealing with a FTA Colombia - China, which has the ideology trade dumping which is supposed to use China with several of its products.

Throughout this process within the trade, so that will not carry out the dumping thus affecting the workforce and its Colombian property rights.

Model development and hypotheses

As already mentioned, the purpose of this study is to implement and develop FTA among China and Colombia. The following sections will try to demonstrate how the agreement structure for commercial integration agreement will be implemented where the parties involved are enterprises in Colombia and China with an objective to develop and enter freely into China supply chain market and vice versa. So, the agreement structure in commercial relationship will be integrated in the same region with a government support and union

enterprises; Chinese supply chain market evolution will be analyzed as an important point in this research.

Research hypotheses

- H1. It takes two to tango if countries engage new partnerships to develop internal commercial economics.
- H2. It takes two to tango if countries engage new market opportunities to develop internal commercial economics.
- H3. It takes two to tango if countries engage new products for consumers to develop internal commercial economics.
- H4. It takes two to tango if countries engage new supply chain and production at international relation to develop internal commercial economics.
- H5. It takes two to tango if countries engage growing investment level to develop internal commercial economics.
- H6. It takes two to tango if countries engage growing prospects to develop internal commercial economics.

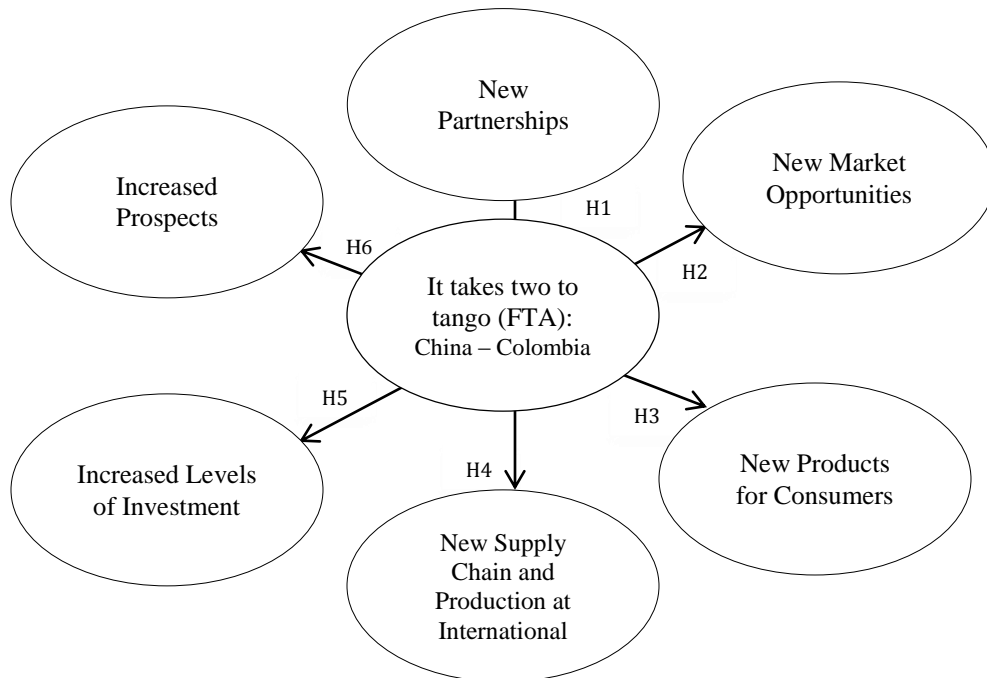


Figure 5. Hypotheses study implementation, Author illustration. Sources: Author data (2013).

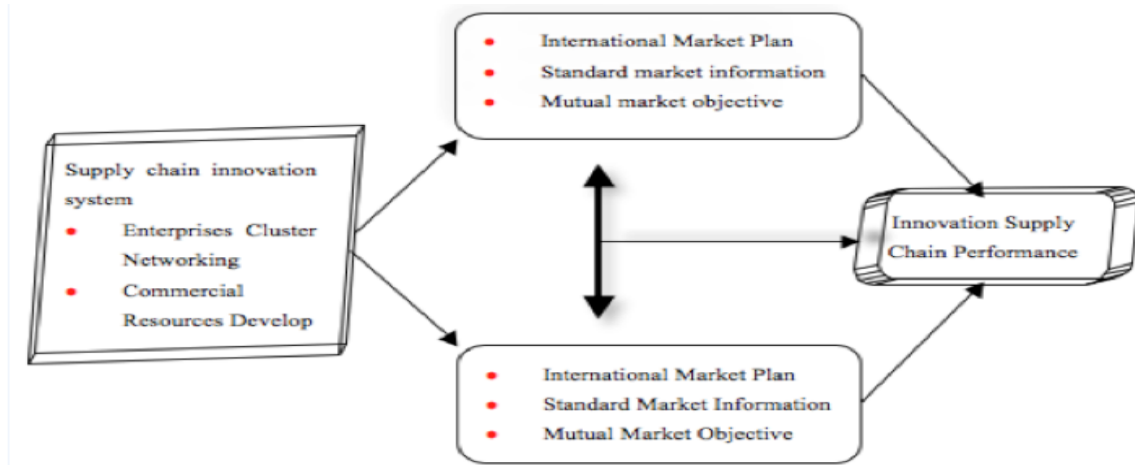
Research Methodology

As was observed in the previous hypotheses model, could move forward with the study of the specific study in place of a FTA between the two economies of China and Colombia. The international theories confirm that international trade is increasingly

necessary to open and increase opportunities for exchange of goods, services and investment, tariff and non-tariff barriers, called protectionism that have affected the domestic market in each country. Thus restricting the emergence of new policies benefiting poverty reduction (plus employment in both countries with decent wages), Rick, S, and Laaria, M, (2013b)

the growing trade relations (Bilateral Trade Policy), and the economic stability in the countries such as in Colombia, as well as technology investment for production and new product innovation.

Note briefly that the bilateral treaties between these two countries will bring benefits to them in their trade balance, GDP, employment, standard of living, etc.



Source: Rick (2012).

FTA that China has with other countries of the world

According to this method used by this study, there is empirical understanding on the FTA that China and Colombia have with other countries or markets. Bellow is explanation of various FTAs China has, with

treaties entered, their characteristics and the importance of this kind of bilateral agreements. Also, details of the FTAs Colombia has entered are also explained.

Table 13. FTA signed by China

FTA		
1	China and Hong Kong	Date 29- June-2003
2	China and Macao	Data 20 October of 2003
3	China and Chile	Date 18 November of 2004
4	China and Pakistan	Data 24-November 2006
5	China-ASEAN-6 Brunei Darussalam Indonesia Malaysia Philippines Singapore Thailand	Date January, July 1, 2007,
6	NZ - China	Date 7 April - 2008

Sources: Saul Rick (2013).

Among other things, China is using bilateral FTAs to achieve market economy status with other trading partners. A status it would have not been enjoying at the global level under the framework of the WTO until 2015. The purpose of this is to reduce the possibility and impact of antidumping relation against China.

China and Hong Kong

Hong Kong received a shot in the arm with the signing on June 29, 2003, from its Closer Economic Partnership

Arrangement (CEPA) with the People Republic of China. This is the first FTA to be signed by either the PRC or Hong Kong under World Trade Organization procedures.

China and Macao

China and Macao signed a free-trade pact and its implementation details on October 2003, to give tariff-free entry for goods and easy access for 18 service sectors from the former Portuguese enclave into the Mainland Chinese market.

The agreement, known as the Closer Economic Partnership Arrangement (CEPA), become effective from Jan 2004 and was similar to the deal between Mainland China and Hong Kong.

China and Chile

The Chinese and Chilean presidents launched the free trade negotiations on November 18, 2004, when Hu (胡锦涛) paid a state visit to the Latin American country.

The two leaders agreed to direct the relevant government departments to implement the agreement as early as possible, so as to benefit peoples of both countries, said sources from the Chinese delegation. Chinese Commerce Minister Bo Xilai and Chilean Foreign Minister Ignacio Walker signed the FTA on behalf of their governments.

Under the agreement, the two countries were to fully launch the tariff reduction process of cargo goods trade on July 1, 2006.

China and Pakistan

Between china and Pakistan, the FTA was signed on November 24, 2006. The architecture of the bilateral included Trade in Goods and Investments in the first Phase and Trade in Services in the second phase with commenced during 2007 hence enlarging the coverage of the FTA.

The Early Harvest Program between the two countries that was put into operation on 1st January 2006 was merged into this bilateral FTA. Pakistan has given market access to China mainly on machinery; organic; and inorganic chemicals, fruits & vegetables, medicaments and other raw materials for various industries including engineering sector, intermediary goods for engineering sectors, etc.

China and ASEAN

The China-ASEAN FTA has been hailed as a landmark pact in pushing for freer trade between China and the ASEAN countries. With the establishment of the free trade zone, trade and investment between the Chinese and ASEAN economies are expected to increase significantly; but while the economic benefits are inexorable, the extent of gains derived from closer integration hinges on the Sino-ASEAN economic relationship, which is both complementary and competitive in nature. At the present stage of development, China and ASEAN are more competitive than complementary, given the similarity in their trade and industrial structures. ASEAN and China are also direct competitors for foreign investment, rather than significant investors in each other's economies. Despite these challenges, the prospects for bilateral trade to flourish are bright if both China and ASEAN can interlock their economies through deeper integration in the long term.

China – NZ (New Zealand)

China and New Zealand signed a sweeping FTA on April 2008, China's first such pact with a developed country.

The deal, signed by Commerce Minister Chen Deming and his New Zealand counterpart Phil Goff at the great Hall of the people in Beijing, was expected to give New Zealand improved access to one of the world's fastest-growing economies.

It was signed in front of Prime Minister Wen Jiabao and Prime Minister Helen Clark, one of the first Western leaders to visit Beijing since anti-government rioting broke out last month in Tibet.

Two-way trade between China and New Zealand currently is worth more than \$6.1 billion a year, with Chinese exports making up about 75 percent, according to Statistics New Zealand

Table 14. Trade Agreements under Negotiation by China

Trade Agreement Under Negotiating		
1	China and Colombia	Date May of 2012
2	China and South Africa	Data 25th April of 2000
3	China and India	Data 26 Sep of 2007
4	China and Iceland	Data May 23 of 2005
5	China and Brazil	Data 4th Aug of 2005
6	China and Australia	Data April 18 2005
7	China and GCC	Data July of 2004
	Saudi Arabia	
	United Arab Emirates	
	Kuwait	
	Oman	
	Qatar	
	Bahrain	

Sources: Saul Rick (2013).

First, a multilateral system avoids repetitively signing a multitude of bilateral trade agreements and avoids the overlapping of trade rules set forth among those FTAs. Second, it avoids conflict of interests with third parties. Third, developing countries can accumulate their bargaining power in multilateral agreement negotiations. Finally, the dispute settlement system provided by the WTO is a more suitable venue for China to solve disputes. China will continue to support multilateral trade systems in the international area, as it is the best approach for realizing China's trade interests. Additionally, China will consider its international economic and trade cooperation strategy; adopt flexible and practical methods; combine multilateral, regional, and bilateral systems; and find its own method to negotiate and establish FTAs.

Asian countries and regions are important trade partners of China. Japan, Korea and ASEAN ranked third, fifth and sixth respectively among China's top ten trade partners. From January to October 2005, the value of imports and exports between China and Asian countries amounted to 382.58 billion US dollars, which was 33.3% of China's total volume of foreign trade. The value of China's imports were 220.2 billion US dollars or 41.2% of China's with total volume of imports, and China's export totaled 162.39 billion US dollars or 26.4% of China's total volume of exports.

FTA signed by Colombia with other countries in the world

Table 15. FTA signed by Colombia

FTA signed by Colombia	
The Group of Three (G-3) Colombia Mexico United States	Dec-94
Canada - Colombia	Jun-08
Framework Agreements	
Andean Countries - MERCOSUR MERCOSUR Argentina Brazil Paraguay Uruguay	Oct-04 Andean Countries Bolivia Colombia Ecuador Peru Venezuela
Partial Preferential Agreement	
Andean Community - Argentina	Jun-00
Andean Community - Brazil (ACE 39)	Ag-99
CARICOM Barbados Jamaica Guyana Trinidad & Tobago	Jul-94
Chile (ACE 24) Panama Honduras El Salvador Costa Rica Nicaragua Guatemala	Jan-94 Jul-93 May-84 May-84 Mar-84 Mar-84 Mar-84
EFTA Switzerland Iceland Liechtenstein Norway	7月-11

Sources: Saul Rick (2013).

The Group of G-3 Colombia, Mexico and Venezuela

The Group of Three (G-3) Agreements was negotiated among Colombia, Mexico and Venezuela. Originally formulated within the framework of the Contadora56 peace process, the decision to negotiate a FTA `` was announced at the Fifth Ministerial Conference between Central American Countries, members of the European Economic Community and the Contadora group, held in *San Pedro Sula*, Honduras on 28 February 1999. An Action Plan was issued on March 12, 1989.

At the G-3 Presidential Summit on July 17, 1991, the countries endorsed a Memorandum of Understanding setting out the rules for negotiations. The G-3 FTA was signed on June 13, 1994, and was registered with ALADI as Economic Complementation Agreement. In 2004, Panama requested inclusion into the G-3 and in 2006 Venezuela withdrew from the agreement.

Framework Agreements (Andean Countries – MERCOSUR)

It establish the legal and institutional framework for economic cooperation and integration and physical that contributes to the creation of an economic space which tends to facilitate the free movement of goods and services and making full use of production factors, in terms of competition between the Contracting Parties.

Partial Preferential Agreement

The fundamental objective of these Agreements shall be to strengthen the trade and economic relations and technical cooperation between the Parties through: The promotion and protection of investments aimed at taking advantage of the opportunities offered by the markets of the Parties and strengthening their competitiveness in the international market;

The facilitation of the creation and operation of regional joint ventures; the promotion of private sector activities, including business exchanges between the Parties;

The development of technical and scientific cooperation activities that may be agreed upon between the parties and other objectives in the partial preferential agreements between countries.

Possibilities of Establishing an FTA between both Countries

The results of the levels of growth in the globalized countries, the high-income countries and developing countries outside the group of globalized countries indicated the assertion that the questions refer.

Accordingly, the dynamic growth of globalized countries in relation to high-income countries means that countries are becoming globalized putting the range at the same level of income per Capita. As noted in the world China, India and Bangladesh "*China and India possess 60% of the world's population*" China: 1,339,724,852 and India: 1,210,193,422 almost 130 million (2013). India is growing so much faster than China; it is expected to become the world's most populous nation in another two decades. Were among the poorest countries of the world 20 years ago, and the sudden change that these economies had coming to their expanding economies have a positive impact worldwide.

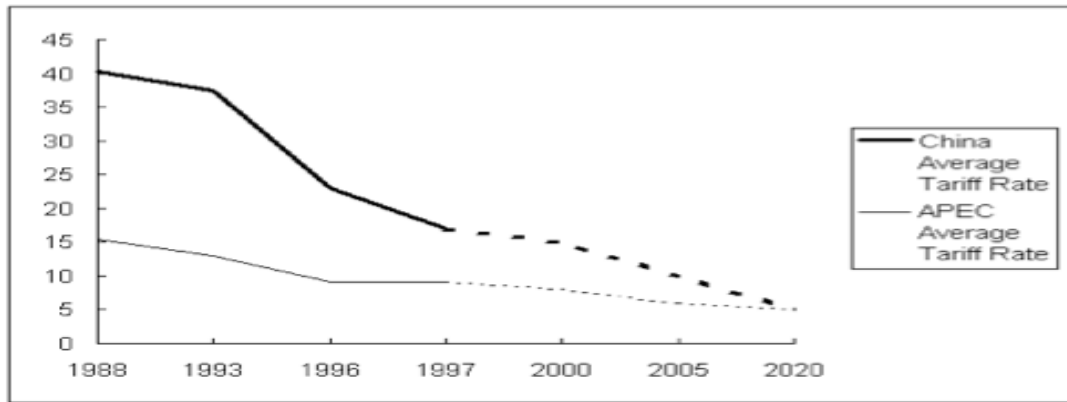
Opening fully free trade between the two countries by eliminating tariff and non-tariff barriers", increasingly open and free markets have the strongest growth in the economic indicators, such as employment is a high degree of dynamism including reducing the margin of poverty. For that reason, noting in the collecting information methods of the various FTAs that China and Colombia have agreed with other countries.

Colombia and China, in order to join diplomatic relations precisely into the WTO, have ongoing increases in diversifying markets, which are beneficial to the economies leaving behind protected economies to be traded for decades without any effective performance.

Then, possibility of an emergent FTA is given by the great relationships that these two countries have in terms of cooperation. As show the table 16, were President Juan Manuel Santos is looking to sign FTA with China, and this study its useful to join the main propose, where basically they have increased and promoted their markets as a whole.

In addition, the present Colombian government has created an international prosperous climate with China, since the ratification of signatures cooperation both in the level of investment in China and Colombia Rick, S., (2012). They also have a substantial increase in this area that allows the relationship to be consolidated, and the balance of trade between the two economies to becoming more dynamic, thus the possibility is that Colombia will have a greater increase in its economic indicators in general.

Specifically, China's economy is passing through a phase of liberalization and deregulation in response to a proactive policy applied in the context of accession to the WTO, because this process is favorable to FTA between the two countries.



Source: Manila Action plan for APEC: The Asia Foundation Figure 6. China's Tariff Reduction Trend (%)

Moreover, it is possible to have an open trading relationship as both economies are sufficiently adequate given their great capacity for demand and supply of goods and services including investment, and a tariff elimination may be increased more and more standards trading and increase competitiveness through technological and investment in both countries.

Having this agreement, it is possible to obtain a branch of benefits such as training units and sharing a bargaining power, and it is negotiated in more efficient international forums. In addition, the bilateral agreement is also more useful for trade, the increased cooperation of the environment and other partnerships

and views.

Since the visit of Colombian *President Juan Manuel Santos*, it is clarified that the China-Colombian relations are beneficial to both countries. *Minister of Colombia Mr. Sergio Diaz-Granados*, said that an FTA with China-Colombia is possible given its high trade. As well mentioned in the interview by the *Ambassador of China in Colombia Mr. LI CHANGHUA* "Colombia in the coming years is expected to increase investment from China in the area of Mining, Industry, Textiles, Road and Ports structure of the country, besides broad access to the supply National Agro food, Light Industry, Plastics, Paper and Wood, among other Economic Sectors.

Table 16. Agreement Cooperation between China and Colombia

Period	President	Cooperation Agreements
28-30, October of 1985 20-23, October of 1996	Belisario Betancur Ernesto Samper	Economy Cooperation Agreement on scientific and technological cooperation, cooperation in culture and education
13-15, May of 1999	Andres Pastrana	Materialized some previous agreements and signed an agreement on cooperation in the field of protection of the environment
8 April of 2005	Alvaro Uribe	Like some previous agreement were retained and increase cooperation in quarantine of plants and animals, information and telecommunications, display movie
11 May of 2012	Juan Manuel Santos	Open the study to enter into an FTA and promote Chinese investment to Colombia, as describe commercial agreement's

Sources: Saul Rick (2013).

Conclusions

The conclusion of a comprehensive and broad FTA with China, under the assumption that a broad and comprehensive agreement addresses both a substantial proportion of bilateral trade, with no economic sector excluded, as well as it covers the complete scope of issues that relates to bilateral economic relations between Colombia and China, would have a very positive effect for the Colombian economy. This will enhance the scope of economic relations with a leading industrial power and consolidate the presence of the Colombian economy in East Asia and its role as a transpacific commercial platform.

The global effect of an FTA with a view to substantially improve the commercial environment with one of the leading economies in the world, would consolidate the role of Colombia as a productive and commercial platform to South America, thus generating greater potentials for Chinese investment interested in optimizing its industrial and financial presence in one of the most important markets in the world.

Considering the structure of Colombian imports from China, intensive in equipment and capital goods, an FTA would, through tariff reductions, favor competitiveness in a wide range of industrial activities, thereby consolidating their export potentials.

The subscription of an FTA with China would contribute to minimizing trade deviations induced by agreements that Colombia has negotiated with the CARICOM group, on study FTA with United States. Thus, creating a positive effect of all the agreements that Colombia has been negotiating with its main trade partners.

Considering the extension and depth of economic relations with China, a broad and comprehensive FTA would be an essential contribution to the consolidation of a second stage in Colombian exports, based on activities in which it has developed comparative advantages. Mining, in particular, emerges as a promising field for related services and supporting industry. Likewise, trade; agro-industry and food manufacturing-related services appear as areas for cooperation and exchange, which could be greatly developed under an FTA, permitting the exchange of technology, with a view to boosting competitiveness.

An FTA with China would have a positive impact on the Colombian economy and would further strengthen bilateral trade and investment. Therefore, it is suggested that the maximum effort should be made to conclude a broad and comprehensive bilateral FTA.

5.1 The Main Contribution

The contribution of the study will offers some theoretical understanding the important issue of implementing and engage an FTA between two and

more parties, which can be a starting point for conducting empirical studies to uncover the phenomena underlying strategic commercial clusters in the R&D cluster context (Rick, 2012).

This study provide significant contribution to firms of both countries with a projection to reduce several commercial protection which will be able to make growing each internal market, but also increase perspective to integrate commercial relations and give participation on reduce their unemployment rate as well as develop innovation.

Suggestion for Further Studies

Would be possible to estimates a viability to integrate commercially multilateral agreement at Latin American Region using CELAC platform, with the main propose to have a commercial cluster and be a qualified regional economic growth, with a goal to enter to other markets or economics groups as commercial cluster integration Rick (2012), as was argued by Hillary Clinton Colombia its an example to build a international cooperation.

Future research could significantly raise the level of Rick, S., (2012) empirical theory of the commercial cluster integration initiative, by going beyond path analysis and causal modeling that may permit a deeper understanding of the causal platform of integration network among crucial variables in commercial enterprises network Rick, S., (2012).

According of previous research Rick, S., (2012), this is a relatively new view on regional commercial integration research, and of course, there is a need for further research to detail the measurement of the main development.

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