

# The Influence of Shaanxi Pilot Free Trade Zone on Industrial Structure Upgrading

Bai Xue

School of Economics and Management, Xidian University, xi'an710118, China

**Abstract:** After years of development, shaanxi province's economic situation has been significantly improved, but from the perspective of industrial structure, shaanxi province has some new problems. Combing with the province and the opportunities brought about by the free trade area, this paper USES SWOT analysis, put forward to promote agricultural industrialization, speed up the financial innovation and development of science and technology, cultivate leading enterprises, strengthen the top-level design, service methods of play to the functions of the government, in order to provide a reference for free trade to promote adjustment of industrial structure upgrade in shaanxi.

**Keywords:** Shaanxi free trade zone; Industrial structure; Financial services; The functions of the government

## 1. Introduction

The free trade pilot zone is a trade arrangement that is more advantageous in terms of trade and investment than general trade rules. In general, foreign goods can enter a specific area of a sovereign country or region, thereby exempting tariffs. In essence, it is a customs exemption zone that implements the Freeport Policy.

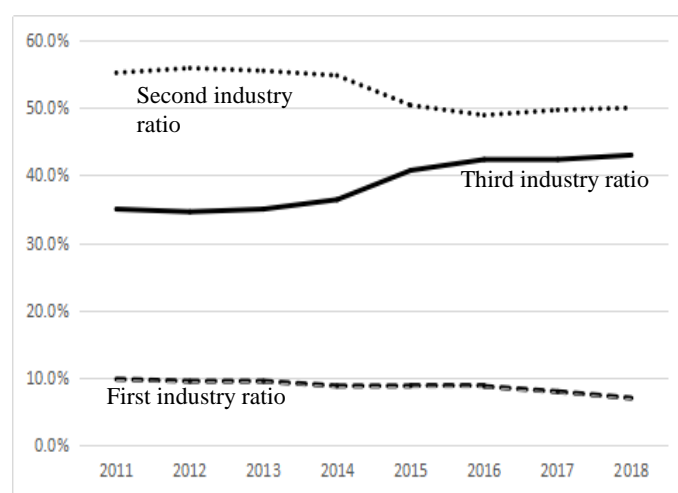
The upgrading of industrial structure is mainly due to the transformation of the economic growth mode of a country or region, such as the transition from labor-intensive growth mode to capital-intensive and knowledge-intensive growth mode, resource operation growth mode to product operation, asset operation, capital operation, and knowledge. The mode of growth in operations has changed, and the driving force for economic growth has shifted from factor-driven to investment-driven and innovation-driven.

## 2. Theoretical Overview

### 2.1 Overview of Industrial Structure in Shaanxi Province

In 2017, Shaanxi Province achieved a total production value of 2,198.88 billion yuan, exceeding 2 trillion yuan, an increase of 8.0% over the previous year and 1.1 percentage points higher than the national average. In 2018, the growth rate dropped slightly, and the annual output value reached 244.438 billion yuan. In recent years, the overall situation has been basically growing.

The primary industry of industrial structure in Shaanxi Province has shown a downward trend year by year. Since 2017, its decline rate has increased significantly. It has reached a record low of 7% in 2018. The secondary industry is also decreasing year by year, and it has rebounded slightly since 2017. The three industries are basically in a rising trend, and their growth rate is gradually decreasing from 2016. In summary, Shaanxi is in the stage of optimizing industrial structure and constantly exploring and upgrading.



**Figure 1:** Changes in the proportion of industry in Shaanxi Province in recent years

### 2.2 Development Status of Shaanxi Free Trade Zone

According to statistics, since the establishment of the Free Trade Zone, a total of 32,802 new enterprises have been added, with a registered capital of 548.58 billion yuan. The tax revenue of the Pilot Free Trade Zone was as high as 8.57 billion yuan. The total import and export of merchandise trade was 242.575 billion yuan, a year-on-year increase of 34.6%. Among them, imports were 97.607 billion yuan, a year-on-year increase of 37.81%; exports were 145.496 billion yuan, an increase of 32.55%.

From the perspective of industry differentiation, financial innovation provides an indispensable engine for the development of the tertiary industry in the free trade zone. The entry of Taiwan Fubon Huayi Bank, Dingsheng Yuhe, Caixin, Jingdong Finance and other commercial enterprises into the free trade zone has greatly helped the establishment of a complete financial service system in the Free Trade Zone. As of October 2018, there were 104 commercial investment and leasing companies in the Free Trade Zone with a registered capital of US\$5.84 billion, a total of US\$540 million in financial leasing business with actual foreign investment, and approximately 20 domestically funded financial leasing pilot

enterprises. The registered capital totaled 10.22 billion yuan.

### 3. Problems in the industrial structure of Shaanxi Province

#### 3.1 The level of agricultural industry development is low

The lack of overall investment in the agricultural industry and the relatively unreasonable investment structure have led to weak agricultural infrastructure construction and low levels of agricultural mechanization. Shaanxi Province is in the critical period of modern agricultural industry transformation, and agricultural economic growth mainly depends on the degree of application of science and technology. China's only agricultural high-tech industry demonstration zone is located in Yangling, Shaanxi Province. The Yangling National Demonstration Zone has played a significant positive role in promoting the transformation of agricultural scientific and technological achievements. However, due to the limited funding of agricultural projects, some scientific and technological achievements have been invested in research and development. The reality is difficult to transform.

#### 3.2 The scale of service industry development is relatively small and the level is not high

The tertiary industry is still dominated by the traditional service industry, while the development of the producer service industry and the emerging service industry is relatively lagging behind. The main performance is that the added value of the service industry accounts for a low proportion of GDP, the contribution to economic growth is lower than that of the secondary industry, and the service industry ranks behind the economic aggregate.

**Table 1:** Ranking and proportion of Shaanxi service industry in 2010-2017 (%)

index	2010	2011	2012	2013	2014	2015	2016	2017
Economic aggregate position	17	17	16	16	16	15	15	15
Service industry ranking	18	18	18	19	19	18	18	17
Economic aggregate ratio (Shaanxi / National)	2.5	2.6	2.7	2.8	2.8	2.7	2.7	2.7
Service industry added value (Shaanxi / National)	2	2	2	2.1	2.1	2.1	2.1	2.2

#### 3.3 Service industry development and investment structure are not reasonable enough

First, the development structure is not reasonable enough. Traditional industries such as transportation, warehousing, postal, wholesale and retail, accommodation and catering in the service industry still dominate, modern logistics, finance, culture, technology, information, etc. characterized by knowledge-intensive and technology-intensive. The proportion of modern new service industry is low, and the emerging service industry with cultural and artistic content and high added value has not yet formed a certain scale and does not have a competitive advantage. Second, the

investment structure is not optimized enough. Regardless of the internal investment structure of the service industry or the proportion of the various sectors of the service industry in private investment, the investment is mainly concentrated in the three major industries of real estate, water conservancy and public facilities management, transportation, warehousing and postal services, and financial technology and education. Investment in emerging services such as culture, health, information transmission, computer services and software is clearly insufficient.

### 4. Shaanxi Free Trade Zone promotes the adjustment and upgrading of industrial structure

**Table 2:** Shaanxi Free Trade Zone promotes industrial structure adjustment and upgrading development strategy matrix

	Strengths (S)	Weaknesses (W)
Internal analysis	1. Significant location advantage	1. Low level of industrial development
External analysis	2. Industry basic advantages 3. The foundation of industry, academia and research is profound	2. Uncoordinated regional development in the province Lack of close ties between industries
Opportunities (O)	SO-growth strategy 1. The "One Belt, One Road" policy 2. Development of economy in Shaanxi Free Trade Zone Industrial transfer and industrial structure adjustment and upgrading	WO-reversal strategy 1. Inviting investment to fill fund vacancies Improve the development of information technology, finance and other service industries
Threats (T)	1. Competition of similar cities in the surrounding area 2, serious brain drain	ST-multiple business strategy 1. Give full play to the advantages of the industrial base and improve 2. Strengthen cooperation and study in neighboring provinces and cities WT-defensive strategy 1. Improve the use of information technology Strengthen talent introduction incentives

#### 4.1 Promoting agricultural industrialization

The free trade zone can provide support to relevant agricultural science and technology enterprises, provide convenient conditions, and develop dividend economy through subsidies, tax reductions, loans, etc., and promote the upgrading of agricultural product industrial structure. In the wave of competition in the future agricultural industry, Shaanxi Province must accelerate the construction of the modern agricultural industrial chain, vigorously develop the agricultural product processing industry and follow-up ancillary services, build a green agricultural product base, and support the agricultural technology enterprises in the bonded

area to grow into specific areas. A leading agricultural enterprise with greater influence and competitiveness.

#### 4.2 Accelerate the development of financial science and technology innovation

First, the government should introduce supporting measures and preferential policies for the integration of financial technology, promote the development of science and technology innovation insurance, formulate property rights trading policies, and provide a good development space and market environment for the integration of financial science and technology. Second, the free trade zone It has the advantages of institutional reform and innovation. It should make full use of its characteristics to play a good role in Shaanxi's current industrial advantages, build a scientific and technological innovation incubator industrial park in the free trade zone, and gradually form a clustering effect of high-tech industries. Third, the key to technological innovation lies in technology. The rapid and effective transformation of results should integrate innovative resources and development models, establish a "one-stop" support service system for the integration of financial science and technology development, and build a full-chain service support model from technological innovation to achievement transformation.

#### 4.3 Strengthening the construction of aviation logistics hubs

In May 2014, the National Civil Aviation Administration approved the Xi'an New Area Airport New City as a national aviation city experimental area. This is the first experimental area in China with the goal of building an aviation metropolis. As can be seen from the data in the table below, Zhengzhou ranked originally in Xi'an, but since the Foxconn company was put into production in Zhengzhou in August 2010, coupled with the increase in the output value of other enterprises and the government's strong support, the scale of its air cargo industry has developed rapidly. Relatively speaking, Chengdu's air cargo volume ranks relatively stable in the country and ranks in the forefront.

**Table 3:** Comparison of cargo and mail throughput of Xi'an, Zhengzhou and degree airports (unit: 10,000 tons)

Year	Chengdu (ranking)	Xi'an (ranking)	Zhengzhou (ranking)
2011	47.77 (5)	17.26 (13)	10.28 (20)
2012	50.80 (5)	17.48 (13)	15.12 (15)
2013	50.13 (5)	17.89 (15)	25.57 (12)
2014	54.50 (5)	18.64 (15)	37.04 (8)
2015	55.66 (5)	21.16 (14)	40.33 (8)
2016	61.16 (5)	23.37 (14)	45.67 (7)

The free trade zone should further strengthen strategic cooperation with international and domestic logistics integrators, actively promote the establishment of large-scale logistics transit centers or distribution centers, and construct international or domestic hubs for transportation and distribution of different functions such as air transportation, air-ground integration, and cross-border e-commerce. .

#### 4.4 Cultivate leading enterprises in the service industry

First, update the development concept, optimize the industrial investment structure, and enhance the development momentum of the service industry. Further transform government functions, increase efforts to simplify administration and decentralization, promote government transformation to service-oriented government, continuously improve efficiency, improve policy support system, promote service industry development, optimize market resource allocation, break market barriers, and provide services. The development of industry creates a good institutional and policy environment, further adjusts the industrial investment structure, effectively increases the overall investment of the service industry, enhances the investment incentives of the productive service industry, and encourages and guides private capital to enter the financial, commercial, educational, cultural and other industries. Improve the level and level of innovation in the service industry cluster.

Second, with the help of "Internet +", we will promote the new service industry to become bigger and stronger, optimize the small industrial structure within the service industry, and finally complete the secondary upgrade and transformation of the traditional service industry. Through the current stage of big data, cloud computing, Internet of Things and other information technology, the assistant traditional industry, the two will be organically combined to achieve intelligent, high-speed development. The high starting point is to develop high-tech, high-value-added modern service industries such as e-commerce, financial services, and cultural creativity, vigorously develop emerging service industries such as ecological and scientific information, and encourage innovative management models of enterprise service concepts to be combined with business model innovation. Promote the cooperation and cooperation between upstream and downstream enterprises in the industrial chain, further enhance the consistency of services and manufacturing, realize the common development of services and industries, and promote the optimization and upgrading of industrial structure.

Third, vigorously cultivate leading enterprises in the service industry, enhance brand influence, and promote the rapid development of the service industry. Guide all types of production factors to focus on service enterprises and industry leaders, support the construction of a number of high-tech enterprises, and make their core competitiveness stronger and stronger, encourage service companies to merge and reorganize, form a certain scale effect, and increase efforts Leading enterprises conduct listing counseling, encourage leading enterprises to rely on capital market strength to become bigger and stronger, further realize brand strategy, create quality service brands, and promote the rapid development of service industry.

Fourth, attach importance to personnel training and enhance the service industry's ability to absorb employment and core competitiveness. Increase the scale of service talent capital investment, vigorously introduce high-level talents into the service industry, optimize service personnel, provide intellectual resources to support the development of the overall service industry, strengthen school-enterprise

cooperation, and gradually cultivate high-quality service personnel for the development of the service industry and The improvement of service level has continuously injected new vitality. Through the establishment of entrepreneurial parks and entrepreneurial training bases, it will provide more employment opportunities and a larger development platform for the service industry talents to accelerate the internal structure and industrial upgrading of the service industry and improve The overall competitiveness of the service industry.

#### 4.5 Strengthen top-level design and play government functions

First, the government should create a relaxed market sentiment and investment environment, formulate specific systems and policies, encourage and support innovation and development of various enterprises, and avoid malicious competition and waste of resources between regions. Second, the government should adopt relevant incentive measures. Provide financial subsidies and policy incentives to enterprises in the free trade zone that cooperate with the “Belt and Road” countries, and actively guide and encourage enterprises with overcapacity in Shaanxi Province to “go global”; finally, the government needs to improve public services, increase information disclosure services, and reduce. The adverse selection brought about by information asymmetry.

## 5. Conclusion

The adjustment and upgrading of industrial structure in Shaanxi Province is an urgent problem to be solved. The traditional policies and methods can no longer meet the current development and innovation. It is necessary to propose a new method based on innovation and relying on the tertiary industry. After nearly two years of development, the Shaanxi Free Trade Zone has begun to take shape and gradually contributes new ideas and new theories to the adjustment of industrial structure in Shaanxi Province. Its practical experience is also an important reference for future adjustment and upgrading.

## References

- [1] On the impact of trade on the industrial structures of nations[J]. International Journal of Economic Theory, 2011, 7(1):93-109.
- [2] Jia Aiping. The Background and Practical Significance of Shihezi Creating the Innovation Driven Experimental Zone of the Silk Road Economic Belt[J]. Farm Economic Management, 2018(08):48-51.
- [3] Wang Wei. Research on the Optimization Effect of Foreign Direct Investment Industry Structure in the Background of Free Trade Pilot Area——Taking the Pearl River Delta as an Example[J]. Hubei Social Sciences, 2018(12):75-82.
- [4] Zhou Hanmin. Common Analysis, Strategic Positioning and Policy Suggestions of China's Four Free Trade Zones[J]. International Business Research, 2015, 36(04): 36-46.

- [5] Li Wenyuan. Research on the Development Path of Shaanxi Free Trade Zone under the Background of “ Belt and Road” [J]. Fortune Today, 2017(15): 15-16.
- [6] Wang Yuqin. Research on the Development Countermeasures of Xi'an International Port Area under the Background of Shaanxi Free Trade Zone Construction[J]. Logistics Science and Technology, 2018, (08): 123-125.
- [7] Yang Ming. Research on the Management System of Xi'an International Port Area of Shaanxi Free Trade Zone [D]. Chang'an University, 2017.
- [8] Pang Jialan, Wang Xin, Zhang Yan. Research on the Influence of OFDI on the Industrial Structure of Shaanxi Province under the Background of “Belt and Road” [J]. SAR Economy, 2017(8): 23-26.
- [9] Xue Yinglu. Research on the evaluation of Shaanxi cultural industry development [D]. Chang'an University, 2018.
- [10] Wang Dingxiang. Deepening of Financial Capital, Technological Progress and Industrial Structure Upgrading[J]. Journal of Southwest University(Social Science Edition), 2017, 43(1): 38-53.

## Author Profile

**Bai Xue** is now pursuing Master degree in school of Economics and Management, XIDIAN University since 2017. Her specialization area is Finance.