

# Suggestions on How FTZ Construction Can Help Develop Port Economy in Shaanxi

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## Abstract

Shaanxi is a famous historical city in northwest China. In recent years, driven by the construction of FTZ (the abbreviation of Free Trade Zone), the construction of ports in Shaanxi has made great progress and the volume of import and export goods has increased greatly. This paper studies the current situation of the port economy after the establishment of FTZ through literature analysis and holds that compared with developed regions; there are still some practical problems such as inadequate customs services, low cooperation efficiency and other issues. After analysis, this paper puts forward some countermeasures and suggestions from the aspects of improving the level of trade facilitation, increasing government support and so on.

## Keywords

Port Economy, FTZ, Shaanxi, Counter Measures

## 1. Introduction

Ports have the nature of market and industry, and shoulder the function of supporting urban development. Ports and cities are inseparable and integrated (Chen, 2021). The trade port is an important window for economic and trade exchanges and an essential infrastructure for opening up to the outside world. (Li & Cui, 2020). Domestic and international developing experience has shown that the ports are the heart of the strategic resources driving regional economic development. The port economy has become a growth pole in regional economic development. (Qi, 2011) Over the past 70 years, especially the 43 years of reform and opening-up, the development of the port economy in China has greatly promoted international cooperation, economic and trade development, personnel exchanges and foreign exchanges between our country and other countries

(Gao, 2020). As the starting point of the ancient Silk Road, Shaanxi has been called the eastern pyramid connecting the northwest and southwest since ancient times.

## **2. The Internal Logic of Shaanxi FTZ Construction and Development of Port Economy Construction**

Since the establishment of the FTZ, trade creation and trade diversion have led to an increase in the volume of trade. The FTZ promotes trade facilitation and liberalization through the simplification of customs procedures and related preferential tax policies, so as to promote the development of the port economy and foreign trade. (Li & Cui, 2020). Under the background of the construction of FTZ, the research on how to promote the development of port is beneficial to the stable development of the regional economy, and is more helpful to the construction of FTZ (Ma, 2020). On the impact of the port economy on the regional economy, most foreign scholars point out that the development of port has a positive impact on regional economic development, and that a strong regional economy is a strong guarantee for the development of port (Wang, 2020a).

Shaanxi belongs to the inland city in China and the common developing problems of such cities are as follows: the degree of international trade in information services, finance and other services needs to be further enhanced; (Xiao & Zhong, 2019); there are few large multinational corporations in the inland area and lack the international enterprise gathering base; the market-based model of resource allocation has not yet been fully formed. So there is a lack of regional and even global commodity trading centers (Feng, 2022). However, the development of the port economy in inland areas is conducive to accelerating the integration of inland areas into the process of globalization through the distribution of production in global markets, from which it can realize the spatial gathering of production factors such as land, capital and labor force and improve the efficiency of production thus creating a high-level open economy.

On March 15, 2017, the State Council approved the establishment of Shaanxi FTZ and issued the “Overall plan for the China (Shaanxi) FTZ”. As the only zone in northwest China, the establishment has provided a relaxed business environment for the development of the port economy which has injected new vitality into the development of the port economy.

## **3. Current Situations after Developing Port Economy in Shaanxi**

The establishment of Shaanxi FTZ could deepen reform in the new era and speed up the development of the western region and it is a window for the western region to follow the “Belt and Road” strategy, which has highlighted the huge “Magnet” effect. In the context of the building of the FTZ, Shaanxi has attached great importance to the economic construction of ports.

### 3.1. The Business Environment has Improved

The investment environment has always been a key factor restricting the ports economy in Shaanxi province (Li, 2022). In order to enhance the level of trade facilitation and create a more stable and open business environment, in 2019, the Department of Commerce of Shaanxi issued a series of measures to optimize the business environment at ports. After more than three years of development, the soft and hard investment environment has been further improved. Port infrastructure has been strengthened and the port functions have been upgraded. The comprehensive service level of e-port has been enhanced, such as “All in one network” and “separation of licenses”. The former refers to entering one network to do all things, and getting through the information systems of different departments. The latter refers to the separation of business license and certificate that can be separated, which purpose is to minimize the simplify the administrative approval process (Hong, 2021). The masses can do things in different fields by operating one handling system and it has really created a good business environment for enterprises, making new business forms such as cultural tourism, express logistics and e-commerce develop rapidly (Wang, 2020b).

### 3.2. The Chang' an Trains have Become a Vital Transport Link

The Chang' an trains, launched in November 2013, have become a vital transport link between Europe and the city of Xi'an, the capital of Shaanxi. A total of 41 all-cargo routes have been launched covering multiple aviation hub cities in more than 20 countries and regions connecting Xi'an with Central Asian and European destinations. According to the customs of Xi'an, in the first part of 2022, the train service operated 1791 trains transporting 1.519 million tons of goods. The core indexes, such as train capacity, freight volume are well placed in the forefront of China and Shaanxi saw its foreign trade grows by 9.6 percent year on year to 196.87 billion yuan (about 29.24 billion US dollars) in the first month of this year. It is attracting more businesses from Southeast Asia to Xi'an distribution center of the China-Europe freight train service as well as to Shaanxi and neighboring areas.

### 3.3. Agricultural Characteristics are Becoming More and More Obvious

In the past four years, Yangling district, a high-tech agricultural zone with agricultural science and technology as its main feature in Shaanxi has established a management process that can integrate “Project-oriented, target-oriented, dynamic and responsibility-oriented” together to actively promote innovation, Which is creating a “Belt and Road” Center of International Cooperation, and world-class agricultural free trade zone with distinctive agricultural characteristics (Chen, 2021; Wang, 2022).

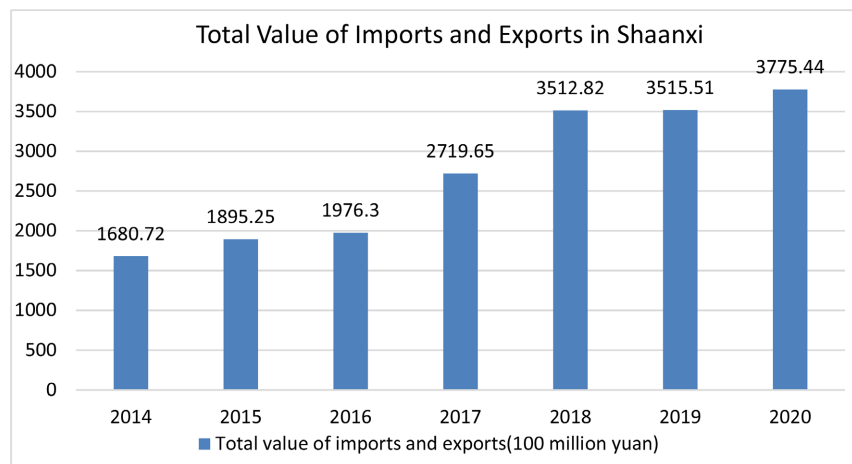
### 3.4. The Functions of Ports are Gradually Improved

In the process of the steady construction of the FTZ, the functions of Shaanxi

ports are becoming more and more perfect. Many functional ports such as ports for imported grain and meat, ports for import of finished vehicles developed rapidly. As the only airport bonded zone in Northwest China, Xixian New Area Airport's comprehensive bonded zone has become a national first-class open port with the basic functions and preferential policies of an ordinary bonded zone. In addition, Xi'an port has the largest land port in Asia forming a new situation of "information exchange", "mutual recognition of supervision" and "mutual assistance in law enforcement".

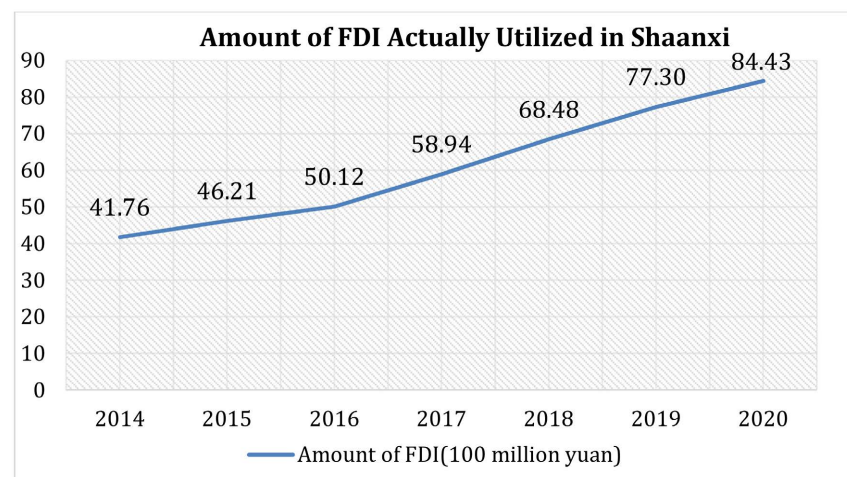
### 3.5. Foreign Trade in Shaanxi Increased Steadily

The establishment of FTZ has a trade promotion effect which can increase the trade volume through trade creation and trade transfer (Li & Cui, 2020). At the same time, it could lower the entry restrictions on foreign investment. It is clear from Figure 1 and Figure 2 that both the volume of imports and exports and the



(Shaanxi Statistical Yearbook, 2021)

Figure 1. Total Value of imports and Exports in Shaanxi in the past seven years.



(Shaanxi Statistical Yearbook, 2021)

Figure 2. Amount of FDI Actually utilized in Shaanxi in the past seven years.

amount of foreign investment utilized have maintained a steady upward trend. In **Figure 1**, the volume remained above 300 billion yuan since the establishment of FTZ three years ago. The amount increased 124.63 percent in 2020 compared with 2014. In 2019, international economic growth slowed down but the amount of foreign investment remained an increasing trend reaching 8.443 billion yuan by 2020, which means that FTZ has greatly attracted investment from foreign enterprises.

### **3.6. There are Challenges Faced by Port Economy**

The establishment of the Shaanxi FTZ is an important measure to deepen reform and speed up the port economy. However, there are also some challenges in the process of development. First, the function of port customs clearance needs to be further improved (Wang, 2020b). Problems such as isolated information islands, waste of resources, and insufficient information sharing still exist. Secondly, compared with other ports in China, Shaanxi port has relatively scarce resources, lower administrative service efficiency. Third, the level of port informationization needs to be further improved. In addition, the functions of the special supervision areas of the customs are scattered, the linkage between them is not high, and the fund guarantee mechanism has not been clearly implemented.

## **4. Suggestions**

### **4.1. Increase Diversified Investment**

Big data, cloud computing and other new technologies are good ways to increase diversified investment in the construction of Shaanxi E-port. This paper holds that Shaanxi should promote the diversification of investment and encourage commercial banks, securities investment and other financial institutions to enter the FTZ and expand the source of funds (Dong, 2021). Shaanxi enterprises could promote the accelerated development of “one-stop” information supply chain services like Qingdao port and Shanghai port in logistics scheme design, port customs declaration, and fee settlement. Also, they should enhance industrial synergy and economic ties between Shaanxi and Eastern and western cities (Nie & Xu, 2020). Construction opportunities could be made full use to promote the economic development of ports in many aspects, such as industrial and technological elements and supporting facilities.

### **4.2. Improve the Level of Trade Facilitation and Build a High-Level Opening-Up System**

Actively explore and innovate the new mode of customs clearance supervision services, promote paperless and intelligent operations, improve the “single window” function, and truly realize the target of “one declaration, one inspection and one release” of entry-exit goods (Xi, 2020). Establish and improve the opening-up platform, focus on promoting China South Korea Industrial Park,

airport new City Silk Road International Industrial Park, China Russia silk road innovation park and other projects, and realize the effective interaction between the construction of the free trade zone and the economic development of the port. International scientific cooperation and exchanges will be extensively carried out under the framework of the “the Belt and Road”.

#### **4.3. Accelerate the Introduction and Cultivation of High-Level Talents**

The development of the port economy depends on talents. Therefore, it is advisable to make full use of Shaanxi’s rich higher education resources. Explore new models for the introduction of high-level talents and focus on cultivating scarce industry technical talents and compound talents. Meanwhile, set up specialties and training related to port informatization and strives to create port economic and technical talents with international vision, solid academic foundation and cutting-edge scientific research ability to meet the needs of the development of the port economy. Local universities should strengthen the education of relevant majors, including Port Logistics, tourism management, transportation, aviation, finance and securities (Yang & Xue, 2016). At the same time, the universities should actively carry out “School-enterprise cooperation” training to improve the practical experience of professional students.

#### **4.4. Increase Government Support to Protect the Business Environment**

Government agencies should give enterprises more flexible policies in investment management, regulatory system and other aspects. Legal advice, services in terms of laws and regulations, and trade clearance lights should be provided to clarify and implement policies in terms of policy arrangements, implementation of major projects, industrial planning, etc. Industry institutions and professional service institutions should play the role of market supervision.

### **5. Conclusion**

As a big country with a digital economy, China is still in the preliminary stage of formulating digital trade rules and international influence. Shaanxi is one of the birthplaces of Chinese civilization and the starting point of the ancient Silk Road (Xiao & Zhong, 2019). The port economy is closely related to the breadth and depth of the opening-up of Shaanxi FTZ. Convenient port customs, clearance capacity and high cargo transit efficiency will help improve the competitiveness of the port economy and help Shaanxi port economy develop to a deeper and higher level in the future.

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## Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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