

Study on the Economic Effect of China's Free Trade Port

—Taking Hainan Provinces as an example

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Abstract—Hainan Free Trade Port has become a new form and new platform to further deepen its opening to the outside world for China. However, as the current implementation of the free trade port strategy is still at an early stage, domestic studies mostly remain at the strategic level and policy level, which is lack of literature. Through the study on the economic effects of the Hainan Free Trade Port, we can further enrich theories related with the FTP and provide a research path for the future research of the Hainan Free Trade Port, finally enrich and upgrade the research base for the FTP.

Keywords—Free Trade Zone (FTZ); economic effect;

I. INTRODUCTION

According to domestic and foreign development experience, the institutional innovation of management provides the core driving force for the development of the free trade port. Before the publishing of a new edition of the BIT model in 1994 for United States, free trade ports mainly focused on preferential policies such as taxation, credit, and finance, which focused on the protection of international trade interests and ignored the facilitation policy. Since then, with the acceleration of world economic integration, the degree of legalization in various countries has continued to increase, and the rights and interests of property around the world have been adequately protected. On the basis of the fact, countries have shifted their focus on the policy innovation of the free trade port to upgrade investment and trade. At the level of convenience, the specific form of expression is the pre-accession national treatment and the continuous expansion of the “negative list”. Under the leadership of the United States, its core is still based on the protection of investment and trade facilitation, emphasizing that different countries and different groups can obtain development opportunities in a fair and equitable manner. Its essence is still to ensure the facilitation of investment and trade.

II. ECONOMIC EFFECT MODEL ANALYSIS OF HAINAN FREE TRADE PORT

In macroeconomics, there are some research methods for these problems, such as generally VAR model, simultaneous equations model, and DSGE model, but all three methods have drawbacks:^[1]The VAR model requires a huge amount of data, so there are great restrictions on the dimensionality of the variables and the economic mechanism is difficult to interpret.

The simultaneous equations model requires the assumption of the exogenous and endogenous nature of the variables before the solution; the DSGE model relies on the uncertainty of parameter calibration and estimation and the reliability of model settings. As a result, economists began to use micro-domain methods to study, such as matching, double-checking and other methods to build, and scientifically evaluate the effects of macro-policies^[2].

A. Empirical modeling

The rationality of the above assumption is proved by mathematical methods, and the specific steps of its application to the analysis of the economic effects of the Hainan Free Trade Port are described. Based on the above ideas, this study uses Chow test for empirical analysis. Zou test is to test whether the data structure changes at a certain point. This test method first sets a set of time series data into a model, then selects the nodes to be judged, and divides the data into two parts. The user's two parts of the data are used to estimate the parameters of the model. Finally, the F-test is used to check whether the parameters are equal. If the equal structure does not change and not equal, the structure will change.

Suppose using a set of time series to build the following model

$$Y = B_0 + B_1X_1 + B_2X_2 + \dots + B_KX_K + \mu$$

Let the node be judged. In this case, divide the above-mentioned set of time series models into two parts, which are (1, 2, ..., n) and (n+1, n+2, ..., n+n), respectively.

$$Y = B_0 + B_1X_1 + B_2X_2 + \dots + B_KX_K + \mu$$

III. REGIONAL ECONOMIC EFFECTS CHANNELS

Hainan Free Trade Port is planned to expand in the areas of finance, shipping, commerce, professionalism, culture, and social services. From this, the free trade port will gain a much wider range of open power relative to other parts of the country^[3]. It can be foreseen that the establishment of the regional economic effect of Hainan free trade port will be conducted through the following channels:

B. Capital circulation channels.

The opening and opening measures of Hainan Free Trade Port in areas such as financial services will enable foreign capital and private capital to gain wider economic power under the support of state power. For the foreseeable period of time, the economic power obtained by foreign capital and private capital will be limited to the Hainan free trade port, which objectively forms an incentive for capital to cross regional flows. This one-way flow of capital across regions will, on the one hand, help the economic development of the free trade port and the surrounding areas, and on the other hand it will cast a shadow on the economic development of other regions of our country. This will bring pressure on the realization of the goal of balanced regional economic development in China[4].

C. Headquarters economic channels.

Measures to expand the opening up of Hainan Free Trade Port in many areas will objectively promote the reorganization of the regional distribution pattern of economic power, and the economic power will be transferred and agglomerated to the Hainan Free Trade Port and surrounding areas, thus affecting the spatial location of economic power decision-making bodies. This prompted more business organizations to shift their headquarters to the Hainan Free Trade Port and its surrounding areas. The move of a company's headquarters into a free trade port will, on the one hand, facilitate the optimization and upgrading of the industrial structure in the region, and on the other hand will help expand the tax base and increase the revenue of local governments. However, the trend of agglomeration of the headquarters economy has obvious adverse effects on the economic development in other regions of our country and is not conducive to the balanced development of China's regional economy. Avoid combining SI and CGS units, such as current in amperes and magnetic field in oversteps. This often leads to confusion because equations do not balance dimensionally. If you must use mixed units, clearly state the units for each quantity that you use in an equation.

D. Talent flow channels

The Hainan Free Trade Zone is the first to expand its opening up service sector precisely in the high-end service sector. The opening up of the high-end service industry means that Hainan's free trade ports will have a sharp expansion of demand for senior service professionals. As the country's first free trade port, Hainan will inspire the high-end service industry personnel to gather and relocate to the free trade port and the surrounding areas because of the unparalleled development advantages gained from the tilt of the national policy. However, talents in the high-end service industry are scarce resources. The rapid inflow of high-end talent into the free trade zone inevitably leads to the loss of high-end talents in other parts of the country. The unbalanced distribution of talented people is obviously not conducive to the balanced development of China's regional economy.

IV. AN ANALYSIS OF THE INVESTMENT EFFECT OF FREE TRADE PORTS

Hainan attaches great importance to the leading role of foreign investment in the economic development of the region. Prior to the free trade port, bilateral investment was mainly concentrated in limited industries such as resource development and tourism. After liberalization, investment and trade environment continued to improve and investment was expanded. Space, based on the original investment field, also jointly explores new investment space, such as environmental protection and cross-border investment. Investment has not only promoted cooperation among Chinese enterprises, but also created more investment opportunities for international and domestic investment. It also stimulated the economic development of the region. The establishment of bilateral liberalization eliminates commercial restrictions, creates more transparent terms of trade, and attracts more foreign investment. After the text edit has been completed, the paper is ready for the template. Duplicate the template file by using the Save As command, and use the naming convention prescribed by your conference for the name of your paper. In this newly created file, highlight all of the contents and import your prepared text file^[5].

V. DEVELOPMENT STRATEGY

Based on the implementation basis and the forecast of port throughput, the basic facilities such as ports, tanks, and wharfs in the Hainan Free Trade Port will not be able to meet the demand, which will result in unfavorable linkages such as limited industrial growth, slower development, and reduced international influence in the region. Therefore, the infrastructure must be improved

A. Accelerate the construction of transportation system

First of all, the construction of the Hainan Free Trade Port transport system should accelerate the combined transport of land, sea and air. At this stage, the transport system is relatively single and mainly depends on shipping and transportation. The basic conditions for air transport are relatively weak, and the airport's infrastructure construction has been strengthened to increase major domestic trunk lines and international flights.

Upgrade the hardware facilities of the port, such as designing larger, deeper waterways, strengthening the specialization of dock facilities, introducing advanced loading and unloading equipment, designing international trunk lines that are directly connected to the world, and accelerating the development of port specialization and modern informatization. The construction of a higher-level port model is combined with the industrial development of the port area. There is a government-led construction, a joint design of regional enterprises, financial institutions issuing bonds, together determining the construction plan, and building a modern integrated port.

B. Cultivate the financial system

The Hainan Free Trade Port has just started, and financial construction needs to be gradually nurtured. As a free trade

port, it is necessary to gradually cultivate a financial system that adapts to the development of Hainan's free trade ports.

Actively opening up the financial market in the Hainan Free Trade Port will implement national treatment for both domestic and foreign funds, and encourage private capital to build private banks in the region and create a fair competitive environment. According to the National Banking Law, the government formulates financial rules in the region to facilitate capital mobility. On the basis of relatively free funds management, the government monitors the flow of funds and prevents financial risks.

C. Regionally balanced system development

Establish a balanced distribution structure of power areas to rationalize the relationship between central government power and local government power. Since the late 1990s, China has successively proposed strategies such as "Developing the Western Regions" and "Rising Central China" and approved the establishment of a number of integrated reform pilot areas. In essence, these measures are still the repair of the distribution structure of the power areas under the regional non-balanced development strategy selection. They cannot fundamentally solve the problem of unbalanced regional economic development in China. Instead, they incentivize local governments to actively seek various forms from the central government. The mandate is contrary to the goal of establishing a socialist market economic system.

All power and financial power that should be exercised by the central government should be directly exercised by the central government and should not be granted to any local government. Even if a reform pilot zone is to be established in order to deepen the reform of the economic system, it must also make careful decisions after fully considering the impact of the establishment of a pilot zone on the distribution structure of the power zone, and minimize the influence of the pilot zone on the distribution structure of the entire region.

D. Perfect transfer payment system

We will improve the cross-regional transfer payment system at different levels and in different forms, and resist the adverse effects of the polarization of power on the balanced development of the regional economy. As mentioned earlier, the phenomenon of uneven regional economic development in China is essentially a result of the polarization of power distribution in the eastern region. If this polarization of power is not changed, the balanced development of regional economy will be impossible. Under the objective condition of the existence of an unequal distribution of power, only the establishment and improvement of cross-regional transfer payment systems at different levels and in different forms can reverse the unbalanced regional economic development trend. To this end, on the one hand, we must establish the central government's financial power to support the backward areas of the central and western regions on the basis of adjusting the

central government's power arrangements with the local governments.

E. Perfect Social governance structure

Form a social governance structure that is compatible with the diversification of power, eliminate the phenomenon of power vacuum, and enhance the endogenous power of sustainable development. While economic power tends to polarize in the eastern region, state power has largely withdrawn from the public goods production sector. The superposition of these two factors makes the power vacuum phenomenon particularly serious in the backward regions of the central and western regions. The social governance structure formed during the planned economy period fails due to the lack of support from the businessman's power distribution structure, resulting in village elimination, environmental deterioration, left-behind children, and empty nesters. In the case of a series of economic, natural, and social problems, where the regional disparities have widened significantly, we must strengthen the endogenous power of sustainable development in the backward areas of Central and Western China in order to reverse regional economic development.

VI. CONCLUSION

In summary, under the circumstance that the multilateral trading system is severely challenged, the economic integration of free trade ports will show rapid growth worldwide. Active participation in the cooperation and development of free trade ports has become the development of many countries in the world. As a developing country, China's active participation in free trade has become an important way to evade tariff and non-tariff barriers. Hainan's establishment of a free trade port is conducive to the free movement of goods and capital, the enhancement of import and export trade, and the increase of employment opportunities. Markets formed by free trade ports will also invest in deeper, new trade areas.

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