

# Take Anhui Province as an Example Research from the Perspective of Platform Economic to Study the Advantages and Disadvantages of the Construction in New Free Trade Zones

Dongfei Gao<sup>1</sup>, Jihao Wang<sup>2</sup>

<sup>1</sup> University of Warwick, coventry CV4 7A, UK

<sup>2</sup> University of cardiff, cardiff CF10 3EU, UK

**Abstract.** The coexistence of the globalization of international trade and regional economic protectionism has led to the continuous impact on international trade. Taking free trade zone as a platform is one of the greatest responses to promote international trade. The free trade zone is also of great significance to the development pattern of China's "domestic and foreign dual -cycle". It is not only an important platform for China to adhere to the national policy of "Opening up", but also an important measure to alleviate the external economic pressure faced by Chinese economy in recent years. From the perspective of platform economy, this article uses nesting analysis methods, and takes the preparation and construction of the Anhui Free Trade Zone as an example to study the opportunities and challenges that will face during the preparation of the new free trade zone.

**Keywords:** Platform Economy; Free Trade Zone; Nesting Analysis.

## 1. Background Information

Since the 'Reform and Opening up', the average annual GDP growth rate and the climbing of per capita consumption level have made China the world's largest consumer market. Joining the Asia - Pacific Economic Organization, building the ASEAN Free Trade Zone, cooperating with countries such as New Zealand and Australia to build a free trade zone, and promoting the 'Belt and Road' 'Silk Economic Belt'. They all provided platforms for mutual exchanges between China and the other economies. At the same time, the continuous upgrading of cross -border e -commerce platforms also provide important support for promoting the 'dual -loop economy' at home and abroad. Nowadays, the intensification of geopolitical games and the sluggishness of the world economy have prompted China to continuously build a free trade zone. To further strengthening dialogue with the world economy, recovering the world economy, and the contributing to the country's foreign economy. 18 free trade zones have been established in China. Each free trade zone relies on the geographical characteristics, resource advantages, and economic foundation of its own region. The roles they played in World Trade Institute is also different. For example: Shanghai uses its positioning as one of its world financial centers to widely use various financial enterprises in its free trade zone to attract foreign investment and integrate the world economy. Contributions to the structure of domestic and foreign economies, internal and external dual -circulation structures. However, for the preparation and construction of the Anhui Free Trade Zone -- a relatively weak economic foundation, inconvenient transportation inland cities, and the lack of lack of large e -commerce platforms have led to the preparation with innate disadvantages. There will be more resistance. It seems to be more difficult in the background of integrating the international and building the Yangtze River Delta economy. Therefore, it is a significant for research to build an economic platform - Anhui Free Trade Zone based on Anhui's endowments like geographical location, and policies supported by local government.

## 2. Literature Review

FTA (FREE Trade Area), an internationally connected Free Trade Zone, is different from the free trade zone FTZ (Free Trade Zone) established in China. According to [1] Aréval-Luna, and the



definition given by Arevalo-Lizarazo et al. (2019), "FTZ' refers to the regional area of related investment, import and export, tax reduction and exemption provided by the local government." [2] NKONGHO (2021) defines "FTA' is the country, and the regional economic cooperation organizations are jointly constructed to reduce or remove tariff barriers." In the past ten years, scholars who study platform economy have also provided a new perspective for the development and innovation of the platform economy. [3] The Zhao Gangling, Wang Tao (2013) expanded the research model of the platform economy from a micro -business model to a macroeconomic development model, and they also believed that the development of the free trade pilot zone helped the study of platform economy in the macro level. The positive impact of the platform economy on the industrial structure clarifies that the platform economy can help industrial upgrading from the demand side. In the above research, platform economists defined the free trade zone, and the platform economy has been discussed and studied as a macro aspect such as promoting international trade, industrial upgrading, and driving demand. In the international development of the free trade zone, it has a history of hundreds of years. The earliest Chinese Free Trade Zone – Shanghai FTZ (officially established in September 2013) has also developed for nearly 10 years. The development of the micro -economy and micro platform economy are relatively mature and perfect. Chinese Free Trade Zone (FTZ) is essentially a multi -functional economic zone with tax discounts and customs "special supervision". As an important carrier of Chinese economic platform, its inherent problems and contradictions still exist, so later researchers should also continue to pay attention to the micro -level research.

### **3. The Advantages and Disadvantages**

Although Anhui Province has abundant natural resources, it is subject to backward processing technology and the underdeveloped waterway transportation, and rich natural resources information is difficult to contact the international platform; secondly Disadvantages.

#### **3.1. Advantages**

##### **1) Natural resources**

Anhui has unique natural resources conditions. The reserves of coal, iron, and copper are at the forefront of the country which provide sufficient raw materials in the Yangtze River Delta region. The production of raw coal in Anhui ranked first, and the output of original coal was 110 million tons in 2021. Production like natural gas, cement and steel were ranked second in the Yangtze River Delta region which are 230 million cubic meters, 149.92 million tons, and 149.92 million tons, 38.2 million tons, respectively.

At the same time, rich mineral resources provide cheap and high -quality raw materials for the new energy vehicle industry that has developed vigorously in Anhui and also provides important resources for mineral extraction, such as steel and other industries. At the same time, Anhui is also the raw material base of the Energy, Metals and Non -Metals of the Yangtze River Delta Economic Zone. In addition, Anhui natural cultivated land accounts for 31%of the country, the forest area is 20%, and water resources are 2.5%, which also makes Anhui an important food and wood supply base in the Yangtze River Delta Economic Zone.

##### **2) Better foreign direct investment (FDI) policy**

As an important member of the Yangtze River Delta Trade Zone, one of the important tasks of establishing a free trade zone is reasonable utilization of foreign direct investment. In the comparison of the quantity of FDI, Anhui lags behind other two members in Yangtze River Delta Trade Zone. Since the preparation of new free experimental trade zone in Anhui, laws regulations, and investment conditions about foreign investment have been polished and extended, such as: the implementation of the "negative list" will give foreign companies information about the "restricted area" of foreign -funded enterprises before investing. In addition, in the [Notice of the Implementation of Several Policies for the Stability of Foreign Trade in Anhui Province], expanding e -commerce investment,

and the construction of international financial platforms provide conditions for the entry and reasonable use of external funds. Various measures have helped Anhui's fund utilization rate in the past five years exceeding 65%. In this regard, Anhui has good foreign investment environment.

### **3.2. Disadvantages**

#### **1) Scarce talented human resource & Labor outflow**

Anhui in the Yangtze River Delta region (15-65) accounted for the permanent population proportion to Jiangsu, but the overall education period is shortest and the highest illiteracy rate, especially for composite talents with foreign language skills. This is not good for the preparation construction of the Anhui Free Trade Zone. In addition, Anhui is a large population outflow of provinces. In 2020, 11.52 million people in Anhui Province flowed out, accounting for nearly 20% of the permanent population, and the Yangtze River Delta region was the main outflow area. More than 75% of the outflow population entered the Yangtze River Delta region. Among them, high-end talents, middle-aged laborers are more serious. In the past ten years, the outflow of Anhui has increased by more than 200%.

Free trade zones urgently need the talented in 'software', 'import and export trade', and 'Internet the loss of talents', which is a major disadvantage to the preparation of the free trade zone. The construction of the talent platform lacks vertical depth and systematical methods, which has also caused many outstanding talents to be attracted by the excellent talent platforms of other provinces and cities.

#### **2) Insufficient scientific research investment**

In terms of research expenditure, Jiangsu and Shanghai invested almost twice as much as Anhui, and Jiangsu was nearly three times. The number of master's degrees, the number of patents authorized in Jiangsu and Zhejiang far exceeded Anhui. In recent years, Anhui has emphasized the importance of industry-university-research. However, the expenditure and growth of scientific research funds and educational funds are far less than the other members in the Yangtze River Delta. This also leads to a lack of investment in related research and development funds, fewer innovative products, and outdated innovation management when establishing organizations that require high-end talents such as free trade zones. Anhui's enterprises' investment in 'scientific and technological research', 'innovation in scientific' and technological research are 45% lower than Shanghai, 63% lower than Jiangsu, 52% lower than Zhejiang. In the later period, scientific research investment is inferior to the other members of the Yangtze River Delta.

#### **3) Poor transportation infrastructure and low throughput capacity**

The convenience and transportation capacity of transportation are important conditions for the development of the free trade pilot zone. Railway and highways are mostly used for domestic transportation. Water transportation and air transportation are important ways to connect international trade. In terms of water transportation, the annual throughput of Jiangsu and Zhejiang is nearly 20 times and 10 times that of Anhui, and nearly 7 times that of Shanghai. The causes of this phenomenon are mostly attributed to inland, mostly in the inter-provincial or in-provincial ports, and lack of international ports. The throughput of the main ports is also far less than that of the other members in the Yangtze River Delta. The increase in throughput is also relatively slow, and it is a weak part of freight preparation in the free trade zone.

In the past four years, Shanghai has exceeded 4 million tons of freight volume which has been far ahead of the other three members in the Yangtze River Delta region. There is a considerable gap between air freight in Anhui and other provinces, and the rhythm of development is relatively slow. At present, Anhui is running six civil airports, of which only Hefei, Huangshan Airport belongs to the International Airport. Although according to the "Anhui General Airport Planning" (2019-2035), Anhui will achieve 30 general airports in 2025, but it is more about serving the province, short-distance navigation in the country.

The ability to connect with the international market is limited, making it difficult to maintain the international transportation demand for personnel in the free trade zone and the international turnover of goods.

#### **4) Poor market infrastructure**

Compared with the other members, the number of industrial enterprises in Anhui still has a large gap, and private enterprises occupy the vast majority. In 2021, there were a total of 19,880 industrial enterprises above designated size, including 1,5232 privately.

However, in terms of assets, state -owned enterprises have a total of 1867.9 billion yuan, and private enterprises are 1247.2 billion yuan. There are many private enterprises, but insufficient funds, innovative products, high output value, and fewer high -tech products. Once entering the free trade zone, it is difficult to survive in the environment of competition with international commodities. Although state -owned enterprises have sufficient funds, they are mostly rooted in traditional area. The industry is mostly low -value -added products, and in trade competition, most of them have obtained transaction orders at low -cost advantages. In addition, the platform for connecting international merchants to build backward, asymmetry of supply and demand information makes it difficult for high -quality products to connect with international merchants.

Among the top 100 Chinese companies announced in 2022, there are no companies on the list in Anhui; among the top 500 companies, nine companies in Anhui are on the list, but most of the companies on the list are monopolized enterprises such as mineral processing and energy companies. There are only a handful of enterprises. There are 44 companies in Jiangsu, and 46 companies in Zhejiang have entered the top 500 Chinese companies, and there are many of them such as Zhongtian, Huitongda are Internet companies. Anhui enterprises have weak international competitiveness and difficulty in responding to the industrial struggle in the free trade zone.

#### **4. Conclusion and Suggestion**

From the perspective of the platform economy, the paper studies the conditions and shortcomings owned by the domestic free trade zone during the preparation and construction of the Anhui Free Trade Pilot Zone. Studies have shown that the construction of the free trade zone is actually a bridge linked domestic and international market platforms.

The prerequisite of the free trade zone, the market and the supporting policies of the platform are important factors affecting the construction of the free trade zone. This study adopts multi -case nested comparison method to conduct in -depth experience analysis of its own conditions, market entities and platform support conditions in the construction of the platform of the Anhui Free Trade Zone Platform.

The study found that: Anhui has rich natural resources, but it is difficult to contact international platforms with backward processing technology backward and poor waterway transportation. In human resources aspect, scientific research expenditures are lagging in other parts of the members in Yangtze River Delta region, and the construction of the talent platform also lacks depth, leading to many outstanding talents flowing out, which leads to insufficient stamina for the establishment of the free trade zone.

Poor water transportation and air transportation owned a low-level capacity, which made is hard to keep up with international traffic needs in the free trade zone and international turnover of goods. In terms of market conditions, Anhui's local enterprises lack companies with strong scientific research capabilities and strong innovation capabilities. Due to the lack of the construction of the Internet platform, high -quality products cannot receive international orders, and the speed of excellent international investment (technology & funds) entering is also relatively slow. The establishment of the free trade zone has formulated policies such as "negative lists", which helps the free trade zone to help the improvement and development of international trade.

In summary, case studies show that the construction of Anhui and later free trade zones requires the digital market resources and information advantages provided by the platform economy. The construction of the Anhui Free Trade Zone has the lack of platforms in the market that has led to poor contact in domestic and international markets, lack of key enterprises, loss of talents, and insufficient innovation capabilities. This study reveals the shortcomings in the construction of Anhui Free Trade Zone from a micro perspective, which will serve as a reference for China in the future. Providing new ideas and methods for the construction of inland or relatively backward free trade zone platforms. The policy implications of this article are as follows.

### **1) Coordinate the development of natural resources development advantageous industries.**

Make full use of the unique natural resources in Anhui to vigorously coordinate the balance indicators of natural resources such as coal. For provincial -level major infrastructure construction projects, those who meet the conditions of national overall planning are appropriately applied for national overall planning. Practical energy resources guarantee work, in the new round of strategic mineral breakthroughs, implement multiple provincial geographical survey funds projects. Priority advantage of strategic mineral species such as iron, copper, gold, and coal, and the in -depth processing of cement and quartz rocks for cement and glass.

### **2) Reasonable use of foreign capital and optimize the capital structure**

Compared with the other members in the Yangtze River Delta, Anhui should continuously attract investment and continuously introduced international high -quality capital in the science and technology industry. Anhui needs to seize the opportunity of industrial structure reform, and there are internal undertaking and external transfer programs in the vertical depth. Create the "introduction" and "going out" into a way to promote the increase in international investment and promote structural reform and establish an Anhui characteristic free trade zone.

### **3) Promote the construction of various market platforms**

In the fields of scientific research, e -commerce services, education, and other fields, increasing the efforts of 'opening up' to the outside world, register "loosening" for domestic and foreign investment in the free trade zone. Reducing the restrictions of investment methods, simplifying the reviewing process and procedures for foreign investment projects. Improving the level of foreign investment, improving the construction of overseas investment service platforms, reducing information friction, providing conditions for the advantageous industries in the competition in the free trade zone, and laid the foundation for superior enterprises to enter the free trade zone.

### **4) Completing transportation facilities**

The geographical location of Anhui Province is still in the center of China. Although the international shipping port is lacking, to meet the international traffic needs of the free trade zone, the international turnover of goods is the focus of improving the construction of various types of transportation infrastructure. In the process of promoting the "Belt and Road" policy, the China -Europe trains can connect 'East & West of world' with China and communicating between domestic and abroad. Ensure the transportation of large Central European goods in the free trade zone. In response to the disadvantages of shipping, Anhui carried out the integration of port resources in cities along the Yangtze River and Huaihe River, improving the infrastructure inside the customs park, such as: container scheduling, forklift line planning, etc. Raw materials can also enter the free trade zone.

### **5) Strengthen the construction of talent teams and improve the employment mechanism**

The problem of talent loss is an important issue facing the construction of the Anhui Free Trade Zone. It is the focus of training talents for the free trade zone. It is more important to retain talents. To build a free trade zone: the priority is pay attention to multi -faceted and multi -level training professional talents such as: Internet, international trade, etc. The following the guidance's from the market demand in the free trade zone, combining the needs from enterprises and schools; establishing a platform for talent -oriented training, and transfer those human resources to free trade zone directly.

Further, creating new ways to recruit innovative talents, pay attention to science and technology capabilities and professional talents. Free trade zone talent attraction policy should be implemented from long-term residence, tax reduction, insurance subsidy, and housing subsidy. At the same time, the free trade zone should improve the improvement of the talent promotion mechanism, the principle of the principle of fair competition, and the realization of the realization of talent's own value.

## References

- [1] Arévalo-Luna, G. A. and Arevalo-Lizarazo, G. A. (2019) ["Free Trade Zones in Colombia: Business and Regional Development 2009 - 2016"], *Apuntes del Cenes*, 38(68), pp. 151–184.
- [2] Nkongho Ayuketang [Arreyndip 2021 Environ]. *Res. Lett.* 16 094046.
- [3] Zhang Kai. (2013) [Oligopolistic Competition of Two-sided Platforms with Horizontally Differentiated.] 2013, 22 (2): 249-255. *Operations Research and Management Science*.
- [4] Wang Tao. Free Trade Pilot Zone and "Platform Economy" city [J]. *Foreign economy and management*, 2013 (12): 60G69.