

Research on China's Industrial Structure Adjustment and Transformation under the New Normal Model of Economics

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Abstract: China's economy has entered the new normal. To develop China's economy with high quality, China should move to a more decisive structural change to give the internal imbalances and external imbalances problem the unified solution, and search for a breakthrough point in the structural adjustment and cyclical adjustment, and all-round think innovation of model of economic development in the overall framework, within which we open a new round of China's future economic growth. The paper will focus on the analysis of motivation of industrial structure adjustment and transformation, and discuss China's industrial restructuring and transformation approach.

The average growth rate per year of the Chinese economy over the past 30 years is close to 10%, and the world share of GDP has soared from 2.7% to nearly 15% today, creating a "Chinese miracle" in the history of the world economy. After the outbreak of the international financial crisis, the world economic structure has undergone profound changes. The internal support conditions and external demand environment of China's economic development have changed, which requires the speed of economic growth to "shift". To realize the transition from high-speed growth to high-quality development, there are several factors in terms of industrial structural adjustment. First, the recovery of the world economy is full of twists and turns, and the prospects are hard to tell. Since the international financial crisis, the world economy has been showing a characteristic as "slow growth in aggregate demand and deep adjustment of economic structure", which has led to a normal contraction in China's external demand. Statistics show that from 2008 to the end of 2016, global economic growth has dropped from an average growth rate per year of 4.13% in the previous 10 years to 2.85%, and global trade growth has fallen sharply from an average growth rate per year of 11% to 0.21%. Although according to the judgment of the World Bank, the world economic situation in 2017 has improved and various macroeconomic indicators have rebounded, the uncertainty of the recovery still exists objectively, which has led to a significant weakening of the pulling effect of external demand on the Chinese economy. Second, international innovation drives competition more intensely, and China's industrial structure transformation and upgrading has a long way to go. Currently, the third industrial revolution is coming, major developed countries are accelerating the development of strategic emerging industries, striving to seize the commanding heights of future technological innovation and industrial development. These new challenges are forcing China's economic development mode to accelerate the transition to innovation-driven mode. However, for a long time, China's industrial development mode is extensive, and the ability of scientific and technological innovation is insufficient. The integration of technology and industry is not enough, making many industries less competitive and core technologies subject to others. In order to change this passive situation, we need to do something and prohibit something, and need to actively slow down the pace of economic growth, make room for the development of a high-quality economy. Third, China's market demand structure has been upgraded and the supply of high-quality products is insufficient. As the income level of Chinese residents continues to increase, consumers' demand for high-quality agricultural products, high-end manufactured products and high-quality services is more prominent, but the supply of existing products of domestic enterprises cannot meet

this change in demand structure well, resulting in more and more high-end demand for high-quality agricultural products, high-end manufacturing demand, and high-quality service demand have turned to overseas markets. In recent years, the behaviors of Chinese consumers increasingly purchasing goods abroad, studying, traveling, and seeking medical care abroad are the true reflections of domestic supply quality that cannot meet domestic demand. To develop China's economy with high quality, China should turn to a more determined structural transformation. For this reason, this paper makes a preliminary discussion on the adjustment and transformation of China's industrial structure under the new normal of economy.

1. Theoretical Basis for the Adjustment and Transformation of China's Industrial Structure under the New Normal of Economics

The transformation of the economic development mode depends on the appropriate industrial structure, so it must have a reasonable industrial structure. A reasonable industrial structure must form a reasonable cascade structure in constant adjustment based on the basic principles that are conducive to improving labor productivity. Because the upgrading of industrial structure is to increase the average productivity of the society by shifting the production factors from the low-productivity department to the high-productivity department, the industrial structure is upgraded to achieve the highest efficiency by optimizing the total factor productivity in marginal revenue among each department. It is called the reconfiguration effect of resources. From the perspective of industrial policy, the success of economic transformation is subject to a variety of factors. The essence of economic transformation is the transformation of the mode of economic development. The transformation of the economic development mode relies on industrial policies, and the core of industrial policy is the industrial structure adjustment or the upgrading of industrial structure. The success of economic transformation depends on the choice of industrial structure is reasonable or not, whether in terms of content and form. From the content perspective, the essence of economic transformation is the transformation of economic growth mode, industrial structure is the core of economic development mode, and the transformation of economic development mode depends on industrial structure. From the form perspective, economic transformation must be achieved through the transformation of various components within its region, and the overall economic transformation is accomplished and realized through the transformation of some economic entities. At the same time, the success of economic transformation depends on the rationality of the industrial structure. From the qualitative perspective, the transformation of industrial structure is the fundamental embodiment of the transformation of economic development mode; from the quantity perspective, local regional economic development will affect the overall economic transformation. It can be seen that the adjustment and upgrading of the industrial structure is the core of economic transformation. On the one hand, it affects the economic transformation from the internal influence by affecting the economic development mode; on the other hand, it influences the regional economic policy and then externally influences the economic transformation. The industrial structure adjustment is the foothold of economic transformation. Only by forming a reasonable and appropriate industrial structure can the transformation of the entire economic development mode be implemented; only regional economic policies based on a reasonable and appropriate industrial structure can truly promote the development and coordination of the regional economy. The choice of industrial structure is not only the basis for the transformation of economic development mode, but also the main basis for the formulation of regional economic policies. In response to the financial crisis, we should not simply consider the problems separately, instead, we must make full use of the basic principles of the interaction among industrial structure, economic transformation and economic development, change the passive to the initiative, seize opportunities, and overcome difficulties. as well as innovate, firmly grasping the industrial structure adjustment this key point, mainly focusing on the influence of economic transformation promoting economic development, not only calmly deal with the financial crisis, resolve financial risks, but also complete the economic transformation, realizing the long-term stable and coordinated development of China's economy on the basis of transforming the mode of

economic development. To this end, based on the basic principles of the interaction of industrial structure, economic transformation and economic development, this paper analyzes the industrial structure adjustment and transformation motivation of China under the new normal of economy, and combine China's industrial structure adjustment and transformation policy under the new normal of economy putting forward current measures for industrial restructuring and transformation.

2. Motivation of China's Industrial Structure Adjustment and Transformation under the New Normal of Economics

2.1. The External Motivation

Currently, countries are implementing various economic policies to save the economy, such as the US \$700 billion bailout plan and the expected global policy rate cuts. Due to the deteriorating US economy, the depreciation of the US dollar and the weakening of its import demand are fatal blows to China's export enterprises. The China-US trade war has intensified and deteriorated. There are already quite difficulties appeared in a few small and medium-sized export enterprises' daily operations. In addition to these external reasons, the deeper reason is that under the trigger of the subprime crisis and cost-driven inflation, China's export-oriented and extensive economic growth model has been unsustainable, the high growth myth driven by investment and exports will no longer appear in the current environment. As a result, internal structural contradictions broke out: economic growth will inevitably slow down when human and capital advantages are gradually losing, and new economic growth points cannot occur in time. The rise in import costs brought about by the depreciation of the US economy and the depreciation of the US dollar have made this internal structural imbalance more visible. The fundamental solution to the problem lies in the adjustment and transformation of the industrial structure. We must change the old growth model that relies solely on investment and exports, make full use of the comparative advantages in the international division of labor, and regain some organizational total factor productivity (TFP) progress through regional economic cooperation, and obtain new growth point, actively, scientifically, and gradually promote the upgrading of industrial structure, improve the competitiveness of our products, and gradually eliminate high-energy, high-pollution industries by increasing the cost of use, in order to ensure the long-term and stable development of China's economy.

2.2. The Internal Basis

At present, some difficulties in China's economic operation are mainly caused by the falling back economic growth speed after many years of rapid economic growth and especially showed as the cold reaction in the real estate market, the property prices are slightly down, and the number of vacant buildings is increasing. The financial tsunami also threatens the stability of China's financial system. However, we must analyze rationally that China's economy has entered a new normal of adjustment, and we should turn the new normal into an opportunity for industrial structure adjustment and upgrading, use the international financial system to rebuild and expand opportunities for domestic demand, and transform the way of economic development. At the same time, strive for the participation and operation right of international economic and financial rules. The industrial structure adjustment upgrading is an inevitable choice to maintain a fine and rapid economic development. Under the background of deepening market-oriented reforms, the essence of industrial structure transformation is the adaptive adjustment of enterprises based on market changes to achieve business objectives. Enterprises are the real main body to promote the transformation of industrial structure. Especially at present, enterprises are in the period of shocks in the transformation of domestic and international economic structure and system transformation. The adjustment and upgrading of industrial structure has become a painful but necessary choice.

3. Policy Reference for China's Industrial Structure Adjustment and Transformation under the New Normal of Economics

From the perspective of the economic development of major economies in the post-war world economy, the transformation and upgrading of industrial structure is an inevitable choice for sustaining long-term competitive advantage and economic vitality. From Japan, South Korea to the Four Asian Tigers, the development experience of industrial development, industrial upgrading, and industrial transfer is beneficial to China under the new normal of economy.

During the period after the World War II to the 1970s, Japan achieved political ties with the United States and achieved rapid economic development with the support of the United States. The policy orientation of “sloping production methods” has accelerated the development of basic industries such as coal, electricity and steel in Japan, and has effectively promoted the development of resource-intensive industries such as heavy chemicals and shipbuilding. By the early 1970s, an industrial pattern dominated by heavy industries such as steel, shipbuilding, petrochemicals, automobiles, appliances, and electric power was gradually formed. However, with the great changes in the domestic and international economic environment, the international competition for product exports has directly led to trade frictions between developed countries, coupled with the cost pressures caused by the outbreak of two oil crises in 1973 and 1979, the living space for Japan’s extensive economy growth mode has become more and more narrow, and the development of the original heavy chemical industry has been difficult. First, after the rapid development of the post-war period, Japan formed an industrial pattern dominated by heavy chemical industries. Secondly, the “two-out” production model made the international economic environment more influential on the Japanese economy. From the perspective of the development of the Japanese economy after the war, the resources needed for the rapid development of Japan's heavy chemical industry basically come from external input. The two oil crises of the 1970s directly boosted the price of imported raw materials in Japan and reduced the profit margin of Japanese heavy chemical products. Again, the current account surplus and the oil crisis brought the trade friction between Japan and other developed countries, the appreciation pressure of the yen has emerged. At present, China's historical development stage is similar to Japan in the 1970s, but China's industrial transformation is facing a more severe economic reality, that is, the global financial crisis, and the economic foundation of China's industrial transformation is not as perfect as economic transformation in Japan at that time. In the early 1970s, Japan's agricultural modernization and mechanization transformation were basically completed. Together with the establishment of the Japanese rural education system, the improvement of agricultural production efficiency provided a large number of labors with certain professional skills for the development of other industries. At the same time, the basic completion of urbanization in Japan and the improvement of the social security system for the whole people have laid a good social and economic foundation for the rapid development of the manufacturing industry. These basic conditions are incomparable in China at this stage. Moreover, China has a large population, a weak foundation, and extremely uneven economic development. All of these tell us that while drawing on Japan's advanced experience, we must emphasize and pay attention to Chinese characteristics, in order to quickly complete the China's industrial structure adjustment and economic transformation.

4. Countermeasures of China's Current Industrial Structure Adjustment and Transformation

4.1. Taking the Industrial Structure Adjustment as the Main Line of Transforming the Economic Development Mode under the New Normal of Economics

The internal relationship between the industrial structure adjustment and the transformation of economic development mode is closely related. The industrial structure determines the structure of resource consumption, income structure and population structure, which affects urban function, environmental quality and quality of life. Seizing the industrial structure adjustment is seizing the main line of economic development. When the industrial structure is adjusted, it will be able to cope

well with the financial crisis and truly promote the transformation of the economic development mode. China's industrial structure adjustment is a comprehensive structural optimization, which breaks through the theoretical system of economic development with a single structure optimization represented by Lewis, Kuznets and Channer. It is necessary to adhere to the principle of saving energy resources and protecting the ecological environment, actively promoting the optimization and upgrading of industrial structure, basing on optimizing industrial structure to promote development, and promote economic development by relying mainly on industrial driving and quantitative expansion to promote synergy between the tertiary industries and structural optimization and upgrading. To this end, the most urgent thing is to focus on the following tasks: First, use new ideas to accelerate the development of the service industry. The service industry is an important part of the national economy, and the development level of the service industry is an important indicator to measure the degree of modern social economic development. Accelerating the development of the service industry is the necessary way to promote economic structure adjustment and accelerate the transformation of economic development mode. It is an urgent need to effectively alleviate the bottleneck of energy resources shortage and improve the efficiency of resource utilization. Therefore, we must focus on improving the proportion of the service industry in the tertiary industrial structures, vigorously develop the service industry mainly for producers, refine and deepen the specialized division of labor, reduce social transaction costs, and improve the efficiency of resource allocation. At the same time, it is also necessary to adapt to the upgrading trend of residents' consumption structure, continue to develop the service industry mainly for consumers, expand the supply of shortage service products, satisfy diversified service demands, and make the service industry become the leading industry of the national economy as soon as possible. The second is to extensively apply high-tech and advanced applicable technologies to transform and improve the manufacturing industry. China is in the period of building a well-off society in an all-round way and accelerating the development of industrialization, urbanization, marketization and internationalization. It has initially had many conditions to support the sound and rapid development of the economy. We must make full use of these conditions, and promote economic development from relying mainly on the input of material factors to relying mainly on scientific and technological progress and human capital to change, changing the previous practice of relying heavily on factor input to promote industrialization, focusing on technological innovation investment and industrial optimization, focusing on the technological upgrading and equipment transformation of traditional manufacturing industries, vigorously develop and use advanced technologies with reasonable economics, low resource consumption, low pollution emissions and eco-friendly, making technological innovation a powerful force to promote the optimization and upgrading of industrial structure. The third is to accelerate the development of high-tech industries. It is necessary to deepen reform, innovate institutional mechanisms, and accelerate the construction of a technological innovation system that takes enterprises as the mainstay, market as orientation, and combines production, education, and research. By implementing education priorities and talent-strengthening strategies, it will provide strong human resources and talents for China's accelerated high-tech development, which has a positive impact on promoting the transformation of economic development mode and enhancing overall national strength and international competitiveness. Fourth, continue to consolidate and strengthen the foundation of agriculture, build a new socialist countryside, vigorously develop modern agriculture and agricultural industrialization, accelerate the strategic adjustment of the rural economic structure, and establish a long-term mechanism that towns promote countryside and work promotes agriculture, positively and steadily promoting urbanization. Urban and rural development will be promoted through citizenization of peasant, agricultural industrialization, and rural urbanization, optimizing the urban and rural structure. The fifth is to further implement the regional economic development strategy and key breakthrough strategy. According to local resources and environmental carrying capacity, development basis and potential, in accordance with the requirements of exerting comparative advantages, strengthening weak links and enjoying equalization of basic public services. Further clarify major issues such as strategic layout, functional orientation, development focus, and policy

orientation of regional development, focusing on the implementation of various work deployments and policy measures, and gradually form a regional coordinated development pattern of clear positioning of main functions, benign interactions in various regions, basic public services, and a narrowing of the gap in people's living standards. Through the implementation of the development of the western region, the revitalization of the Northeast, the rise of the central region, and the regional integration development strategy of the Pan-Pearl River Delta, the Yangtze River Delta, and the Beijing-Tianjin-Hebei region, a coordinated development of multi-regional growth poles has been formed. Sixth, the use of financial and monetary methods to promote the structural optimization of the public economy and the private economy, and build a socialist harmonious society. The seventh is to promote the structural optimization of the domestic economy and the international economy by comprehensively improving the level of the open economy, participating in mutually beneficial and win-win international economic cooperation under economic globalization.

4.2. Combine International and Domestic Experience and Correctly Grasp the Development of China's Future Industrial Transformation.

According to the experience of Japan's industrial structure adjustment and transformation, China's industrial transformation includes not only the promotion and rise of emerging industries, but also the structural optimization and product upgrading of traditional manufacturing industries. The development of China's future industrial transformation will be carried out around these two main lines. On the one hand, traditional manufacturing industry should adopt different industrial policies in the upper, middle and down streams to standardize and guide the industrial upgrading, and realize the innovative development of traditional industries by strengthening the extensive application of emerging technologies in emerging industries. Since the pressure transmission from the upstream and downstream is difficult to resist, the cyclical profit and loss phenomenon is significant, and it is a must to promote industrial mergers and reorganizations and effectively improve the efficiency of the industry by effectively eliminating backward production capacity. The processing manufacturing industry in the downstream of the industrial chain is still at the low end of the global manufacturing industry. It is mainly based on the production of low and medium-value-added products. The overall industry lacks advanced technology and experience. The lack of high-precision machine tools and high-quality raw materials make it difficult for the manufacturing industry to complete industrial upgrading and product upgrading itself. The government should accelerate the industrial transformation of the processing manufacturing industry through the guidance of financial and economic support and industrial policy. The introduction of technology and independent innovation on this basis are particularly important. On the other hand, emerging manufacturing is the future direction of the world's manufacturing industry. The development of emerging manufacturing industries is of great significance to industrial progress and can radiate many upstream and downstream industries. However, the initial investment of emerging industries is huge, and the risks of technology research and development and product production are relatively high, so they have strong dependence on government policies. The strong guiding government policy orientation and economic and financial support contribute to the close integration of industry, education and research and the accumulation of experience in emerging industries, so as to complete the rapid growth of emerging industries and drive economic growth through the radiation to other related industries.

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