

Analysis on the Path and System of Construction China Free Trade Zone

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Abstract: opening-up is a prerequisite for China's economic take-off and long-term growth, as well as a key factor for China's economy to integrate into the world division of labor system. With China's economic and social development stepping into the new normal, it is an inevitable choice for China to further increase its opening-up efforts; the strategy of free trade zone is the symbol of China's open economy entering the "second quarter". The study shows that the construction of free trade zones has important strategic significance for transforming government functions, promoting regional linkage and cooperation, and balancing regional development. Meanwhile, in the process of the construction of free trade zones in China, such problems as blind promotion and over-reliance on preferential policies also exist. In order to promote the healthy and orderly development of the free trade zone, it is necessary to further innovate institutional arrangements, optimize government institutional supply, and explore new development paths, so as to provide new pilot experience for other regions in China.

1. Practical Path for the Construction of China's Free Trade Zone

At present, as China's economy has developed to a certain level, we have to fight for deepening the division of labor system under the background of bi-directional competition at home and abroad; on one hand, we need to obtain competitive advantages in higher value links, and on the other hand, we also need to expand the market scale to seek new economic growth points. Therefore, as for the future growth of China's economy, the practical path of the construction of free trade zones should be explored from the following interrelated organic parts at least:

1.1. Explore ways to transform from the "speed" and "total amount" of economic growth to the "length" and "quality" of economic growth

Against the new background at home and abroad, it is difficult to achieve high-speed economic growth; the theme of regional competition will shift from the "speed" and "total amount" of economic growth to the "length" and "quality" of economic growth. Therefore, how to maintain a moderate growth rate as long as possible will become the new normal and the key to overcome the middle-income trap. At present, China's economy has developed to a considerable high level (especially in the southeast coastal areas), and the era of China's ultra-high-speed economic growth has gone. However, considering the growth of other catching-up countries and regions in the world, China's current growth rate is still quite high. For example, during Japan's post-war period of rapid growth, the average growth rate was 8.89% from 1955 to 1973 and 4.29% from 1975 to 1990. South Korea's is similar: South Korea's economy rapid growth last until the 1990s; especially during the 1970 s, the average annual growth was 25%; it began to slow gradually during the 1990 s, nearly 10% average annual growth rate decreased, but it still kept the average annual growth rate of 6%, which could ensure the continual increase of per capita income level after South Korea reaching middle-income country level and avoid stepping into the middle-income trap as Latin American Countries .

Although our current growth rate has slowed down, we will certainly be able to overcome the middle-income trap as long as we can maintain growth for a long enough time. Therefore, the future of our country's economy is no longer ultra-high speed economic growth through factor-driven;

instead, it is a long-term increase through innovation-driven under an increasingly tense resource constraints; even through the increasing speed decreases, innovation-driven growth can increase as long as possible; even if the growth rate drops further, such as the new normal at 5%- 6%, that is, from the pursuit of “speed” and “total” growth gradually to the pursuit of “length” and “quality” of the pattern of economic growth.

1.2. Exploring the transformation from “promoting reform through opening-up” to “promoting opening-up through reform”

From the perspective of future development direction, developed countries and regions cannot be a transformation template for China’s future, and China’s economy exists in a specific historical context. For China, a more realistic and feasible direction lies in the transformation of “from outside to inside” to “from the inside to outside”, that is, which means the transformation from “promoting reform through opening-up” to “promoting opening-up through reform”; it is not feasible to deny export-oriented economy in the current, and it is not realistic for our country to transform to import-oriented economy within a short time. Against the background of the worsening foreign trade, the traditional mode of economic growth is hard to continue and our country must start with a new attitude to join the world division of labor system, changing the low-end positions of traditional production, processing, and manufacturing, and conducting competition with developed countries in such links as the design, research and development with higher added value, rather than simply denying export-oriented growth mode.

1.3. Exploring the transformation from the “quantity” of investment to the “subject” and “flow direction” of investment

Sustainable economic growth does not mean simply reducing factor input; the sustainable economic growth relies on the improvement of factor quality, the improvement of factor allocation efficiency and endogenous technological progress. Therefore, as for the transformation of China’s economic growth mode, what needs to be reflected is not the investment itself, but the subject and the flow direction of investment; improve the investment efficiency through the change of the subject and the flow direction of investment, to realize the transformation from factor-driven to innovation-driven will be realized. On this basis, we invest factors of production, maintain steady economic growth at a certain level and for a certain period of time, and achieve the goal of overcoming the middle-income trap.

1.4. Exploring the transformation from the “speed” and “height” of technological innovation to the “intensity” of technological innovation

For the sustainable growth of China’s economy in the future, the bottleneck is not the lack of applicable technology, but the limitation of the application of technology itself. In order to realize “Smith’s endogenous growth”, our country must emphasize the better adoption of original technology in practice and the gradual outward transfer of technology boundary. When the economic and technological level has reached a certain height, it is not realistic to continue to rely on important technological breakthroughs to maintain long-term growth. A more feasible approach is to promote the specialization of the economic system to a new height by encouraging the renewal of the organizational mode of sectors, so as to enhance the technical strength of the entire economic system. On this basis, an endogenous mechanism of technological progress should be formed to ensure the adaptability of new technological breakthroughs rather than blindly pursuing the height of technology.

In the process of transformation, developed countries and regions pay much more attention to economic operation efficiency at the initial stage of growth than to the pursuit of higher and newer technologies. When the economy development reaches a certain height, they turn their attention to technology research and development. In China, on the contrary, all the regions blindly pursue high and new technology regardless of its own development level. However, the technological progress independent of economic system cannot drive economic growth well (or efficiently). On the

contrary, exogenous technological progress may not be in harmony with local resource endowment, and may lead to crowding out effect due to the wrong allocation of resources, which will have a negative impact on economic growth. It reminds all the regions to reflect on the past growth strategy; the further increase can only depend on the deepening of the reform; reach their tentacles of reform to more micro enterprises, be committed to improving the operation efficiency of economic base unit, and raise the level of technological development and innovation, so as to form the endogenous mechanism of technological progress and to realize efficient and reasonable configuration of factors.

2. How to optimize the institutional supply in the process of China's free trade zone construction

2.1. Strengthen policy support for the free trade zone and improve the guarantee of key factors

It is suggested to further implement and improve the policies and measures in favor of promoting regional cooperation and integrated development of free trade zones. Free trade zones distribute widely in different areas in China, differing in geographic locations, development stages, functions, and preferential policies, which leads to numerous difficulties in the integrative development; it is suggested that all the preferential policies supporting the development of free trade zones benefit all the free trade zones so as to give full play to the policy advantage. At the same time, it is necessary to study the specific policies supporting the development of the free trade zone based on the need of free trade zones to explore new modes of trans-regional cooperation for the country [9]. It is necessary to establish a national level coordination and cooperation mechanism; it is suggested to build a high-level coordination mechanism of regional cooperation, to strengthen leadership and overall coordination, and to properly solve major problems in regional cooperation.

2.2. Formulate rules for the development of free trade zones and follow the law

The construction of China's free trade zone is a systematic and comprehensive process. In this process, we should not only consider how to promote the construction, but also how to maintain the construction achievements of the free trade zone through sound laws and systems. If the promotion of the free trade zone is taken as building houses, the establishment and improvement of laws and systems and the adherence to the law as the principle is to set rules for life in houses. Such issues as how to build the house, how to build, which rules to obey in the building, and so on, need rules; only in this way, can the construction of China's free trade zone be better and go further. Therefore, we must adhere to the principle of promoting legalization and escort the construction of China's free trade zone with a sound legal system. Firstly, speed up the legislation of the construction of public service in free trade zones, so as to improve the standardization of government behaviors and functions in free trade zones. At present, as for most of China's free trade zones, in the process of accelerating progress, they need government to play an important role, but it is not all. However, in the development process of many free trade zones, due to the particularity of the construction of free trade zones, local governments often overstep their authority to support and abuse their powers. As local governments always hold dominant place in all aspects of economic and social development, they have instead downplayed their due responsibilities. For example, they ought to be the mentor, but they directly engage in activities such as fund raising; as another example, the facilities and activities of public services haven't keep up or have major defects. In the process of our investigation, we found that in many free trade zones, local governments encroached on the legitimate interests of residents or overstepped their authority. In some places, the relationship between the government and the masses even intensified, which affected the positive image of the government. Thus, we need to speed up legislation on the construction of public services, regulate the government's functions and behaviors, limit the government's authority, and prevent the government from acting beyond its boundaries and becoming a super government.

2.3. Strengthen institutional improvement and encourage the participation of all sectors of society

In our field investigation, 85.7% of the respondents and enterprises expressed their support for the construction of the free trade zones, and also showed their wish to participate in the construction of free trade zone. In fact, it is not difficult to understand that the construction of free trade zone itself is closely related to the interests of local residents and enterprises. Therefore, it is of great significance for the construction and governance of China's free trade zone to guarantee the participation right of local residents and social organizations and to give play to the initiative of the majority of subjects. Therefore, we need to build the impetus for the construction of free trade zone through increasing the income of participants and improving their living conditions; at the same time, we should start from the urgent needs of economic and social development, to arouse the the enthusiasm of the social organizations to widely participate in the construction and management of free trade zones, so as to provide solid social foundation for sustainable development and the free trade zone construction [10]. We must make it clear that the promotion of China's free trade zone is an all-round and systematic social project that requires the broad participation and support of the whole society; we need to find out and make full use of the social power of all rounds and mobilize all the positive factors to take part in. Therefore, it is necessary to build and improve the legal system to ensure the wide participation of social forces; on the basis of stimulating people's participation and respecting the initiative of the masses, the organic combination of government-led and multilateral orderly participation can be realized, and the strong joint force of the construction of the free trade zone can be formed through the interaction among all parts.

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