

# Research on the Dynamic Mechanism and Path of High-quality Development of Free Trade Zone Construction under the Pattern of Dual Circulation A Case Study of Bengbu Area

Han Han, Bingwei Zhang, Yiran Wang, and Jun Chen

Anhui University of Finance and Economics, Bengbu, China

## Abstract

**The new development pattern of dual circulation is a new development pattern with the domestic cycle as the main body and the domestic and international dual cycles promoting each other. In this new development pattern, "taking the domestic cycle as the main body" cannot simply be regarded as turning external demand into domestic demand because the international market is not smooth. This is a long-term strategic issue, not a general technical measure.**

## Keywords

**The New Development Pattern of Dual Circulation; External Demand Turned into Domestic Demand; Comprehensive Competitiveness.**

## 1. Introduction

Accelerating the construction of a new development pattern with the domestic cycle as the main body and the domestic and international dual cycles reinforcing each other has a profound background of the times. This is an urgent requirement to adapt to the changes in China's comparative advantages and the main contradictions in society and to adapt to the complex and profound changes in the international environment, and is the strategic direction of China's economic development at present and for a long time to come.

China Free Trade Zone refers to a multi-functional special economic zone established outside the customs of the country, with preferential taxation and special customs supervision policies as the main means, and trade liberalization and facilitation as the main purpose.

On August 22, 2013, the State Council officially approved the establishment of the China Free Trade Zone, after the news was announced, all parties generally believe that the China Free Trade Zone is the "focus" of building an "upgraded version" of China's economy. Experts believe that in the pilot free trade zone, the reform marked by the government's decentralization will be further deepened. Innovative financial services, business services, culture, entertainment, education, medicine, and medical care, which were previously subject to more regulation, will have great opportunities for development.

Regarding the development of the free trade zone, there are two main views, one view is that the construction of the free trade zone has a siphon effect, which will exacerbate the imbalance of world economic development, increase the gap between the rich and the poor, and further widen the gap between regions, which is not conducive to the adjustment and stability of the socio-economic and political structure; Another view is that the free trade zone realizes the free flow of economic factors by eliminating trade barriers, adjusts the regional economic structure and allocates resources, so as to promote economic development. Combined with the current development experience of the free trade zone, the author believes that the development of the free trade zone is the only way under the new normal of the economy, and the comprehensive development of the free trade zone under the condition of controllable risks is conducive to the transformation and adjustment of China's economy. This paper intends to analyze the

functional positioning of China's free trade zones from the perspective of dual circulation, classify and analyze the strategic objectives of different free trade zones, study their innovative development directions, analyze the problems that may be encountered in the development of free trade zones, and give corresponding optimization paths, so as to provide policy suggestions for the healthy development of free trade zones.

## **2. Functional Positioning and Innovation Direction of the Free Trade Zone from the Perspective of Dual Circulation**

### **2.1. Respond to the Challenge of High-standard Economic and Trade Rules in Developed Countries**

The intensification of Sino-US trade frictions is a typical microcosm of the competition between developed countries and developing countries for economic living space, with the change of global national comprehensive strength, the traditional economic order dominated by Western developed countries has begun to be challenged, and the establishment of free trade zones provides a powerful tool for competing for the dominance of the new economic order. In China's Beijing-Tianjin-Hebei, Yangtze River Delta and Pearl River Delta coastal areas of the free trade zone, committed to the development of digital economy, high-end manufacturing, life science and technology and other high-tech, is the core force to serve the national strategy, to achieve the rejuvenation of the Chinese nation, but also to deal with the developed countries to formulate higher standards of economic and trade rules, the formulation of higher thresholds of an important starting point, but also in the international cycle to strive for the new economic order dominance of the pilot area. For example, the Beijing and Shanghai financial exchanges have established futures, commodities, and stock trading systems on the international board, set up various international courts, introduced international arbitration institutions, and formulated an international intellectual property protection system, so as to actively respond to international monopolies and various political and economic pressures exerted by developed countries.

### **2.2. Systematic Innovation to Build a More Competitive Political and Economic Development Environment**

The free trade zone is not only a test field for economic development, but also an important starting point for influencing the division of the political pattern. Through the implementation, experimental intensity and reform direction of the free trade zone, the ability of local governments to govern and the ability of regional planning and design can be tested, and in the process of institutional reform and interest game of the free trade zone, the powers, responsibilities and interests of the local government and the central government can be more effectively divided, so as to provide decision-making reference for the efficient and smooth implementation of government decrees. Externally, through the pilot and negotiation of the free trade zone, we will gain more economic dominance, formulate global economic and trade rules, and influence the global political development pattern.

## **3. Analysis of Problems in the Innovation Process of the Free Trade Zone from the Perspective of Dual Circulation**

References are cited in the text just by square brackets [1]. (If square brackets are not available, slashes may be used instead, e.g. /2/.).

### **3.1. Development Areas and Depth Issues under Stress Testing**

In the current environment, the high-level trade rules of developed countries are an unfamiliar field for the exploration of the free trade zone, in the free trade zone environment, which areas

can be liberalized, the depth of liberalization, how to assess risks, and how to formulate regulatory measures. There is no ready-made experience to learn, and it is necessary to explore new paths and accumulate new experience in reform and opening up. In some regions, local governments, from the perspective of protectionism and conservative behavior, may not have much incentive to carry out industrial liberalization and institutional innovation. In addition, if there are no professional personnel to carry out pilot and innovation in the free trade zone, it is likely to go astray, adding huge trial and error costs to the reform pilot of the free trade zone. If there is no prudent and controllable premise, with the goal of serving the real economy, steady opening up and gradual innovation will form a situation of excessive openness and increase the risk of innovation. In addition, from the perspective of development goals and functional positioning, the free trade zone is not a traditional economic development zone, but carries the use of institutional innovation and reform experiments. Due to the lack of relevant experience and insufficient understanding of the positioning and responsibilities of the free trade zone, the person in charge of some free trade zones is prone to misposition the free trade zone as an economic development zone, and introduces the development, governance and supervision model of traditional economic development zones in the free trade zone for the sake of political performance. Low-level redundant construction, detached from the original intention of the construction and development of the free trade zone, is one of the main problems that need to be solved in the current construction of the free trade zone.

### **3.2. Feasibility of Replication of Institutional Innovation**

Institutional innovation is the core function and mission of the free trade zone, and it is necessary to implement institutional innovation as the core work of the free trade zone. We will continue to innovate the system so that it can be replicated and promoted across the country. The experience of institutional innovation in the free trade zone is mainly replicated and promoted in two forms, one is to replicate and promote the successful experience in a wider range in terms of breadth. The second is to continuously optimize and deepen the successful experience from the depth. After several years of development and innovation, most of the simple and easy-to-implement institutional innovations have been promoted to the whole country as achievements. However, as innovation enters the depth and specialization, the fragmentation and superficial characteristics of innovation.

## **4. Construction of Bengbu Area of Anhui Pilot Free Trade Zone**

Since its inauguration, the Bengbu area has deepened institutional innovation, optimized project services, strengthened enterprise agglomeration, and added 637 newly registered enterprises around silicon-based, bio-based, and new energy industries, an increase of more than 200% compared with the beginning of this year. 56 projects have been signed, with a total investment of 54.08 billion yuan, far exceeding the city's average level. At present, a number of projects such as Kaisheng Group's investment of 4 billion yuan in cadmium telluride thin-film solar cells in the field of silicon-based new material industry, and Fengyuan Group's investment of 4.88 billion yuan in the field of bio-based new material industry with an annual output of 500,000 tons of lactic acid and 300,000 tons of polylactic acid have been launched. nanocellulose) industry development system has been initially formed.

With the construction goals of "digital free trade" and "green free trade", the Bengbu area has actively explored innovative matters in the fields of business environment, high-quality development of trade, finance, and scientific and technological innovation and development, and optimized and reported 15 innovative items this year. For example, deepen the "three ones" enterprise whole-process service system, and take the lead in promoting the "one license" reform in the province; Integrate the services and products of financial institutions in Beng, and create a "one-net" enterprise life cycle financial service; Optimize the management

mode of customs credit management, and create the first "green channel" for silicon-based bio-based enterprise certification in China, which not only optimizes the customs clearance process, but also realizes customs clearance facilitation; Innovate and establish an inland "port linkage" system to create a new highland for inland opening. In the next step, we will strive to make breakthroughs in the three institutional innovations of "building a support system for the development of a bio-based industrial chain, a development system for a silicon-based industrial chain, and a new mechanism for project integration and landing", and truly form a number of institutional innovation achievements with Bengbu characteristics.

## Acknowledgments

We would like to thank the Anhui Provincial College Student Innovation and Entrepreneurship Training Project (Project No.: S202210378005, Moderator: Han Han) for their strong support to the results of this paper.

## References

- [1] Fan Yingying, Chen Xinghua. Qingdao Area of Shandong Pilot Free Trade Zone Launched Six Measures to Facilitate Customs Clearance for APEC Economies [N]. China Guomen Times, 2023-11-16 (001).
- [2] Huang Lihua, Huang Jianzhong, Huang Hexiang. Research on the Experience, Problems and Countermeasures of the Pilot Free Trade Zone in Playing the Role of the Hub of Internal and Foreign Opening-up: A Case Study of the Third Anniversary of the Construction of the Lingang New Area [J]. Journal of Shanghai University of International Business and Economics, 2023, 30 (06): 5-21.
- [3] Feng Zongxian, Yu Luyao. Regional economic cooperation and free trade area strategy of the Belt and Road Initiative [J]. Journal of Beijing University of Technology (Social Sciences Edition), 2023, 23 (06): 46-57.
- [4] Pan Chen. Promoting Deep Participation in Global Industrial Division of Labor and Cooperation with the Construction of High-standard Free Trade Zone Network [J]. contemporary economic management.
- [5] Gao Lifan, Zhong Chenglin. The level of goods exports, international tourism and the economic development of China-ASEAN Free Trade Area countries [J]. Statistics and Decision, 2023, 39 (20): 99-103.
- [6] Cui Huiying, Zhao Haiwen. Economic Policy Uncertainty, Entrepreneurs' Confidence and Export Trade: An Empirical Analysis Based on TVP-SV-VAR Model [J]. Journal of Technology Economics and Management, 2023, (10): 94-99.