

## On Anhui Province's Open Economy Development under the BRI

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### Abstract

Since the introduction of BRI, Chinese inland provinces were striving to build new open economy highlands, so did Anhui. In the past 5 years, the province had been actively engaged in this new round of open-up and made great achievements under the BRI. As an important node and hub of "One Belt and One Road", Anhui should take advantage of the BRI construction, the Yangtze River Economic Belt green development and the integration of the Yangtze River Delta, to build a modern industrial system, to upgrade and expand the capacity of open-up platforms, to increase policy coordination with the countries and regions along the routes, and prioritize facility construction to improve facility connectivity for its going out of the world, to further push forward open economy high quality development, create a new open-up hinterland.

### Keywords

Anhui Province, BRI, Open Economy, High-Quality Development.

### 1. Introduction

Chinese president Xi Jinping proposed BRI in Kazakhstan and Indonesia in September and October 2013 respectively. The Belt refers to the land route linking Central Asia, West Asia, the Middle East, Russia and Europe; The Road is a reference to a maritime route via the western Pacific and Indian Ocean that links China's port facilities with African coast, through the Suez Canal into the Mediterranean. Unlike the earlier open-up practices, where the eastern coastal areas stole the show, since the introduction of BRI, which aimed to form a comprehensive open-up situation to the outside world, Chinese inland provinces were striving to build new open economy highlands.

Anhui is located in the hinterland of China and is on the lower reaches of the Yangtze River- the "golden waterway" of the country. It is at the crossroads linking China's eastern, central and western regions through a comprehensive transportation system consisting of waterways, highways, railways and airports. Owing to its large number of ports on the Yangtze River, the province is linked to the world through shipping routes to the Pacific in the east, and China's central and western regions along One Belt and One Road as well. The province is also between the Beijing-Tianjin-Hebei Economic Zone in the north and the Pearl River Delta Economic Zone in the south. When visiting Anhui in April 2016, President Xi Jinping encouraged Anhui to blaze a new trail for the development of central China. [1]

Academic and theoretical circles have devoted a lot of contributions on building open economy highland in Anhui, e.g.: according to the open economy development index and restrictive factors, Ni Dabing suggested that Anhui cultivate competitive dominant industries, push traditional industries' transformation and upgrading, improve the leading role of talents, give full play to its factor advantages and highlight environmental protection to strengthen open-up situation.[2] Gu Jianyu and Jin Zehu proposed that Anhui should promote open economy development by integrating into the three national strategies: the BRI, the Yangtze River

economic belt green development and the comprehensive optimization of the business environment.[3] Xia Zhangxu and Jin Zehu thought that Anhui should strengthen the cooperation with the Yangtze River economic belt, improve infrastructure construction and the implementation of transport interoperability, create favorable investment environment, take advantage of industry transfer and elongated short board to strengthen regional cooperation, learn from the successful experiences of free trade zones and promote the depth of external cooperation.[4] Based on regional economy development theories, this paper will comb the history of China's inland open-up evolution, set forth the achievements of Anhui province's open economy development in the past 5years, esp. the progress of its integration into the BRI, and put forward approaches for its open economy high quality development under the frame of the BRI in the coming 5years.

## 2. Rationales and History of China's Inland Open Economy Development

An open economy is an economy in which there are economic activities between the domestic and outside world. People and businesses can trade in goods and services with other people and businesses in the international community; trade can take the form of managerial exchange, technology transfers, and all kinds of goods and services; funds can flow as investments across the border; [5] and the administration practices enjoy a sound legal system. The Gradient Transfer Theory is one of the major rationales concerning with inland open economy development. It supposes that regional economy development is determined by the condition of the industrial structure of a region, which in turn is determined by which stage of industrial lifecycle the leading industry in the region is experiencing. If the leading industrial sectors are at a stage of innovation, the region has high potential for development and it is located in high gradient regions; with time and progress of lifecycle stages, the leading industries of high gradient regions will transfer production operations entering into a low gradient region. While such production operations are relatively advanced and scarce in the low gradient region, this gradient transfer impels development in lesser regions.[6]

The Growth Pole Theory is another rationale on inland open economy development. This theory argues that the districts within a region do not grow at the same speed; rather that fastest growth occurs at certain point or points. These fast-growing points are the so called "growth poles", which, like the centers or poles existing in a magnetic field, produces various centrifugal and centripetal force. Such growth poles could be sectorial or regional-it is normally a city with a large industrial base playing a dominant role in the entire region.[7]

Specifically review, China's inland open-up has experienced three stages. The 1st Stage is the beginning period of its reform and opening-up (1978-1993), within which China's inland regions are at the end of the industrial gradient transfer theory, so their development has not attracted much attention in policy orientation compared with that of eastern coastal regions. However by the 1990s, guided by the spirit of Deng Xiaoping's "southern talk", China's reform and open-up has entered a fast track. By 1993, it has basically formed a broad, multi-level and multi-dimensional open-up pattern.

The 2nd Stage is the key development period of inland open-up (1993-2012), during which the open-up of hinterlands is firstly concentrated in border and river areas, which have their unique geographical advantages. Limited by geographical location, economic level and traffic conditions, inland regions have always been at the end of industrial transfer in the economic gradient transfer theory. As a result, these areas' open-up and development always lags behind those of the eastern coastal regions whether in scale or level. China's accession to WTO in 2001 marked that China's open-up had formed a new pattern. The central government began to pay more attention to inland areas, which brought forth three major policies, namely: the rise of the

western areas, the development of the central regions and the revitalization of the old industrial bases in northeast China.

The 3rd one is the recently projected high-quality development mode of inland open-up (2013-present), which originated from the launch of the BRI. In 2015, "Visions and Actions on Jointly Building Silk Road Economic Belt and 21st-century Maritime Silk Road" released by 3 ministries-the White Paper of the BRI-proposed to forge inland open-up economy highlands. The 19th party congress held in 2017 stipulated that "We should pursue the BRI as a priority.....hope to make new ground in opening China further through links running eastward and westward, across land and over sea." The curtain of building new open economy highlands with high-quality development in hinterlands was drawn comprehensively in the frame of the BRI.

### 3. Anhui'S Open Economy Development under the BRI

As an inland province, Anhui has been actively engaged in this new round of open-up and high-quality development and has made great achievements in the past 5 years, e.g.: the proportion of its high-tech exports increased from 6.2% to 24.7%; cross-border e-commerce trade grew by an average of 30% a year; actual utilized foreign direct investment reached US \$67.3 billion, an average annual increase of 13.3%; the number of fortune 500 enterprises in Anhui has increased to 152; international production capacity cooperation was implemented smoothly; the construction of open-up channels, platforms and simplified customs clearance procedures reforms are carried out successfully; 6 national development zones, 3 free trade zones, 4 duty-free logistics centers (type B) and China (Hefei) cross-border e-commerce comprehensive pilot zone have been approved for construction, the designated entry ports has reached to 11; a single window mechanism of customs clearance for international trade has been built and operated; there are 56 successful reform experiences borrowed from the pilot free trade zones have been implemented; works on foreign affairs, overseas Chinese affairs, affairs concerning with Taiwan, Hong Kong and Macao have all achieved new progress.[8]

It is especially worth mentioning that under the guidance of the spirit of the 19th party congress, the BRI has been greeted with open arms by each provinces struggling in pushing forward their own open economies high-quality development, so does Anhui. As an important node and hub of "One Belt and One Road", the province has shown strong incentive to become a pivotal region for the BRI based on its own advantages and driven by reforms and innovations.[9]

Firstly, its economic cooperation and exchanges with countries and regions along the routes have become increasingly extensive and "circle of friends" has been continually expanding. In 2017, the import and export amount of Anhui to countries and regions along the lines reached US \$ 13.86 billion, accounting for 25.8% of the province's total foreign trade amount. There were 24 multinational companies from One Belt And One Road countries establishing operations in Anhui, and companies in Anhui set up 25 new enterprises in countries and regions along the routes. The provincial "One Belt and One Road" key projects bank has absorbed and reserved 114 ones in the field of infrastructure, economic and trade, and industrial investment etc., the total investment value is nearly US \$ 150 billion, more than half of the projects have been started.

At present, there are more than 20 countries along the "One Belt And One Road" route have signed agreements on friendly provinces, states and cities with Anhui. In 2017, it newly added four friendly cities along the routes-Salnok in Hungary, Brest in Belarus, Derbyshire in the UK, and St. Adele in Quebec, Canada respectively. Their friendly exchanges have achieved remarkable results in economic and trade cooperation and culture, education and other fields' exchanges.

Secondly, in terms of facility connectivity, the province has opened international passenger routes to Hong Kong, Macao, the Philippines, Thailand, Russia and other countries and regions, as well as Hefei-Los Angeles international cargo routes. The Hefei-Xinjiang-Europe international freight train shifts initiated in 2015 have been largely increased and extended, it has realized the weekly operation and planned to deliver 50 export and 50 import trains to China and Europe in 2018. The value of goods it transported in 2017 has exceeded US \$ 0.58 billion.[10]

Thirdly, from the perspective of specific countries, Russia has become one of the most important partners of Anhui in the Eurasian continent. Since the launch of the "Yangtze River-Volga River" cooperation mechanism in 2013, the province has established the joint conference system and set up the Anhui China-Russia Cooperation and Exchange Promotion Center to push its cooperation with the 14 states in the Volga River federal region of Russia. In addition to mutual visits, the two sides have held nearly 100 humanity-cultural activities and signed more than 20 governmental agreements in economic and trade cooperation and cultural and people-to-people exchanges. Anhui University and Nizhny Novgorod State University has concluded 13 cooperation agreements.

Anhui-German cooperation is another highlight of its international engagements. In 2016, the Sino-German Educational Cooperation Demonstration Base-a joint education and research program between Hefei University and Germany's Stralsund University of Applied Science-began operations; German automaker Volkswagen and Anhui's local automaker JAC Motors have signed agreement to jointly produce electric vehicles, opening Volkswagen's third joint venture in China. [11] Anhui Sino-German Industrial Parks construction has made positive progress: The Sino-German (Wuhu) International Cooperation Zone for SMEs, the Sino-German (Hefei) International Innovation Park for Intelligent Manufacturing, the Sino-German (Wuhu) Intelligent Manufacturing Ecological Industrial Park and the Sino-German (Hefei) Smart Industrial Park have attracted nearly 50 key projects, with total investment of US \$ 6.32 billion.[12]

Fourthly, taking "China-Africa Production Capacity Cooperation" as the theme, Anhui has actively expanded the African market. Its cooperation with Africa covers 41 countries and regions, with contracted project amounts to nearly US \$ 8.82 billion, accounting for 40% of the total amount of its foreign contracted projects, and with total investment account for 6% of China's total investment in Africa.

Lastly but not the least, in addition to the increasingly close cooperation with Russia, Germany and Africa, Anhui has launched a number of programs to enhance cooperation with ASEAN and beyond. ASEAN has become an important area for Anhui's foreign investment, there are 67 companies in the province invested in Indonesia, Singapore, Thailand, Vietnam, Malaysia and other ASEAN countries, such as: The Conch Group, Anhui Xinhua Issue, Anhui Publishing Group, BBKA Biochemical, Win-All Hi-Tech Seed, and Jianghuai horticultural, etc., which help the local economic and social development and deepen the China-ASEAN cooperation as well. Major overseas investment projects, like: the cement production line in Indonesia, the automobile industrial park in Brazil, the copper mining in Ecuador, the solar photovoltaic in Romania and the citric acid biochemical projects in Hungary, have been actively and steadily promoted.

#### **4. Approaches for Anhui's Open Economy Future Development**

From the first mention of developing "open economy" at the 3rd Plenary Session of the 16th National Congress of CPC in 1993, to the present synchronization progress of pilot free trade zones and the BRI construction, China's open-up structure has been expanded from the southeast coast to central and western hinterlands; the content of open-up has also expanded from simply adapting to international trade rules to realizing policy coordination, facilities

connectivity, unimpeded trade, financial integration and people-to-people bond stipulated by the BRI. In the coming 5 years, there are 3 priorities here to suggest for Anhui's open development.

The first is to build a modern industrial system and promote enterprises' ability to integrate into the BRI. This includes 3 aspects: one is to transform and upgrade its leading industries (Iron and steel, non-ferrous refinery, automobile, household appliances and chemical industry) with the help of the integrated development platform of the Yangtze River delta and supply-side structural reform by grafting new elements, such as: cloud computing, big data, internet and artificial intelligence, to enhance enterprises' ability to go global and expand international production capacity cooperation along the One Belt And One Road route through MA, investment or contracting projects. Two is to foster strategic emerging industries (new-generation information technology, high-end equipment manufacturing, new materials, biomedicine and others) to fully participate in domestic and international division of labor at a higher level and create new drivers for their integration into the BRI.[13] Three is to strengthen vocational training to improve labors' skills to provide high quality human resources.

The second is to upgrade and expand the capacity of the province's open-up platforms, which has 3 focuses:, one is that, according to the implementation paths of the BRI, Anhui should complete the constructions of high level open platforms and high-efficiency customs clearance mechanism to improve the degree of trade liberalization and investment facilitation, accelerate import and export trade volume, esp. in new business forms and modes, enhance innovation capability cooperation, and perfect its open economy system. Two is to upgrade and expand the existing development zones and parks to make them become pilot areas for integration into the BRI with high quality. Three is to expand special customs supervision areas to build them into important platforms for unimpeded trade and facilitated investment. It is advised to increase bringing major projects from the countries and regions along the One Belt And One Road routes into these special customs supervision areas.[14]

The third is to increase policy coordination and prioritize facility construction in order to optimize cooperation mechanism and improve facility connectivity for its going out of the world. BRI construction follows the principle of joint consultation, joint contribution and Shared benefits, it is necessary for Anhui to carefully study policies, culture, customs, and safety conditions and establish more trade and economic ties with those countries and regions along the lines. At the same time, the province should actively take part in or invite counterparts to join various kinds of fairs held in each other's countries or regions to expand the popularity of their industries and products. To realize the facility connectivity with countries and regions along the One Belt And One Road routes and beyond, Anhui need to build modern comprehensive open-up channels through strengthening the construction of roads, railways, ports, aviation, pipelines, waterways and communication networks.

## 5. Conclusion

It has been 40 years when Chinese government initiated its policy of reform and open-up in 1978. According to what Chinese president Xi Jinping addressed at a symposium held in Beijing on August 8, 2018, marking the fifth anniversary of the BRI, the initiative serves as a solution for China to participate in global open-up and cooperation, improve global economic governance, promote common development and prosperity, and build a community with a shared future for humanity.[15] Anhui now is on its way to becoming a new frontier in China's inland regions' open-up. It should take advantage of the BRI construction, the Yangtze River economic belt green development and the integration of the Yangtze River Delta further pushing forward open economy high quality development, build a new open-up hinterland.



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