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# Sustainable Competitive Advantages for Regional Development: An Exploratory Study of the China (Anhui) Pilot Free Trade Zone

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## Abstract

This paper analyzes the comparative advantages and development prospects of the China (Anhui) Pilot Free Trade Zone. Based on a SWOT analysis method, this study finds that the Anhui Pilot Free Trade Zone has a set of comparative advantages, including location advantage, rich resources, industrial transformation and new industries, technological innovation capabilities, new patterns for development, and policy support. In recent years, by leveraging its key resources, Anhui Province has been committed to developing an open economy. Furthermore, its economic vitality has increased significantly under preferential policies such as the Belt and Road Initiative, the China-Europe International Freight Shuttle, and the Yangtze River Economic Belt Development Plan. As a result, the total foreign trade has continued to grow. The findings of this study highlight that the comparative advantages are of great significance to the development of the Anhui Pilot Free Trade Zone, which helped expand the scope and openness of the regional economy and foreign investment. However, to achieve the development objectives of the Anhui Pilot Free Trade Zone as planned, these comparative advantages must be developed and converted into a set of sustainable competitive advantages for the regional economy. Therefore, a few development suggestions are put forward.

**Keywords:** Comparative Advantage, Sustainable Competitive Advantage, Regional Development, Sustainable Development, Anhui Pilot Free Trade Zone

**JEL Classification Code:** F02, F16, F18, F21

## 1. Introduction

### 1.1. Pilot Free Trade Zone (FTZ) in China

The establishment of the Shenzhen Special Economic Zone in 1979 marked the beginning of China's reform and opening up. On December 5, 2014, the Politburo of the CPC Central Committee conducted a joint study on accelerating the construction of the free trade zone. General Secretary Xi Jinping stressed that it is necessary to adapt to the new trend of economic globalization, accurately judge the

new changes in the international situation, profoundly grasp the new requirements of domestic reform and development, and accelerate the implementation of China's free trade area strategy with more active and promising actions (National People's Congress of China, 2018).

To connect with the new rules of international trade and investment and gain adequate space for China's opening-up and development, China has made the strategic decision to build a free trade pilot zone. The establishment of the pilot free trade zone is to first test high-level opening to the outside world in a specific area, to accumulate experience in participating in bilateral, multilateral, and regional cooperation under the new situation, and to promote the full integration of China's economy into the world economic system (China Today, 2020). From August 2013 to September 2020, the State Council approved the establishment of 21 pilot free trade zones in Shanghai, Guangdong, Tianjin, Fujian, etc., giving the pilot free trade zones the mission of bold innovation, deepening reform, forming experience, and replicating and promoting. Looking back at the construction process of the pilot free trade zone can be divided into three stages:

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### 1.1.1. Early Stage (2013)

On August 17, 2013, the State Council approved the establishment of the China (Shanghai) Pilot Free Trade Zone. On August 30 of the same year, the Fourth Session of the Standing Committee of the Twelfth National People's Congress passed the "Decision on Authorizing the State Council to Temporarily Adjust the Administrative Examination and Approval of Relevant Legal Provisions in China (Shanghai) Pilot Free Trade Zone." On September 18, the State Council issued the "Overall Plan for China (Shanghai) Pilot Free Trade Zone" (National People's Congress of China, 2018).

On September 29, the Shanghai Pilot Free Trade Zone was established. This is China's first pilot free trade zone and is also the vanguard of a new round of regional opening. It is intended to explore new paths and models for China's new round of opening up; to accelerate the transformation of government functions and administrative system reforms, and promote the transformation of economic growth patterns and, optimize the economic structure, realize the promotion of development, reform and innovation through opening up; form replicable and popularized experience to serve the development of the whole country; cultivate China's new global competitive advantages, build a new platform for cooperative development with other countries, and expand new space for economic growth China Today, 2020).

### 1.1.2. Expansion and Deepening Stage (2014-2016)

In December 2014, the State Council decided to promote the experience of the Shanghai Pilot Free Trade Zone, set up three pilot free trade zones in Guangdong, Tianjin, and Fujian, and expanded the scope of the Shanghai Pilot Free Trade Zone from 28.78 square kilometers to 120.72 square kilometers (National People's Congress of China, 2018). The government work report of the State Council in 2015 required: "actively explore the pre-entry national treatment plus negative list management model and actively promote the construction of Shanghai, Guangdong, Tianjin, and Fujian Pilot Free Trade Zones, promote mature experience across the country, and form unique characteristics. The highland of reform and opening up" (National People's Congress of China, 2018).

On March 24, 2015, General Secretary Xi Jinping presided over a meeting of the Political Bureau of the Central Committee, which reviewed and approved the overall plan for the Guangdong, Tianjin, and Fujian Pilot Free Trade Zones. On April 8, 2015, the State Council officially issued the plan for the three pilot free trade zones in Guangdong, Tianjin, and Fujian. Subsequently, the three pilot free trade zones were officially put into operation.

### 1.1.3. Innovation Stage (2016-present)

In August 2016, the State Council established seven new pilot free trade zones in Liaoning, Zhejiang, Henan, Hubei, Chongqing, Sichuan, and Shaanxi, marking the construction of pilot free trade zones has entered the stage of pilot exploration new voyage. The newly established seven pilot free trade zones will continue to rely on the existing new zones and parks approved by the State Council, closely adhere to the core of institutional innovation, further connect with high-standard international economic and trade rules, and form their characteristics in a wider field and a wider range, each with its emphasis on the pilot pattern, and promote the comprehensive deepening of reform and opening up (National People's Congress of China, 2018).

In March 2017, the State Council issued the "Plan for Comprehensively Deepening the Reform and Opening Up of China (Shanghai) Pilot Free Trade Zone," marking that the Shanghai Pilot Free Trade Zone has entered a stage of comprehensively deepening reforms. Further, transform government functions and create a pioneer area for improving government governance capabilities, innovate the cooperative development model and become a bridgehead for serving the country's Belt and Road construction and promoting market players to go global (National People's Congress of China, 2018).

On September 21, 2020, the State Council officially issued the "Overall Plan for China (Beijing), (Hunan), (Anhui) Pilot Free Trade Zones," which established free trade zones in Beijing, Hunan, and Anhui. At the same time, the State Council also issued the "China (Zhejiang) Pilot Free Trade Zone Expansion Regional Plan." So far, the number of free trade zones in China has increased to 21 (China Government Network, 2021).

From September 2013 to September 2020, the pilot free trade zone has undergone several expansions, forming a new pattern of all-around and high-level opening to the outside world with the coordination of the East, the Middle, and the West and the coordination of land and sea. Covering multiple provinces and municipalities directly under the Central Government, a multi-block, multi-field, and compound comprehensive reform trend has been formed.

## 1.2. China (Anhui) Pilot Free Trade Zone

The free trade pilot zone established in 2013 has a total of 21 in the country, including Hainan Free Trade Port. The establishment background of the pilot free trade zone is mainly in the new period of the country that China has identified a new pattern of opening to the outside world. The pilot free trade zone takes institutional innovation as the core, accelerates the convenience and free flow of goods, services, talents, capital, and information, and rises from the opening

of factors to the opening of the rules of international trade and investment. The pilot free trade zone is a new period in exploring investment, trade, finance, foreign investment services, and management, continuously carrying out institutional innovation, and expanding opening highlands (China Today, 2020).

Among them, the implementation scope of China (Anhui) Free Trade Zone is 119.86 square kilometers, covering three areas: China (Anhui) Free Trade Zone Hefei area of 64.95 square kilometers (including Hefei Economic and Technological Development Zone Comprehensive Bonded Zone 1.4 square kilometers), China (Anhui) Free Trade Pilot Zone Wuhu District 35 square kilometers (including 2.17 square kilometers including Wuhu Comprehensive Free Trade Zone), 19.91 square kilometers of the Bengbu area of China (Anhui) Free Trade Zone. On September 24, 2020, the China (Anhui) Free Trade Pilot Zone (see Figure 1 and

Table 1) was officially unveiled (Anhui Provincial People’s Government, 2021).

## 2. Development Objectives of China (Anhui) Pilot Free Trade Zone

### 2.1. Main Objectives

According to the “China (Anhui) Pilot Free Trade Zone Special Promotion Action Plans” (Anhui Provincial People’s Government, 2021), the main objectives are as follows:

1. Highlight institutional innovation and strive to build a new system and mechanism for an open economy. The Anhui Pilot Free Trade Zone will take institutional innovation as the core, actively explore,

## 中国（安徽）自由贸易试验区区域图

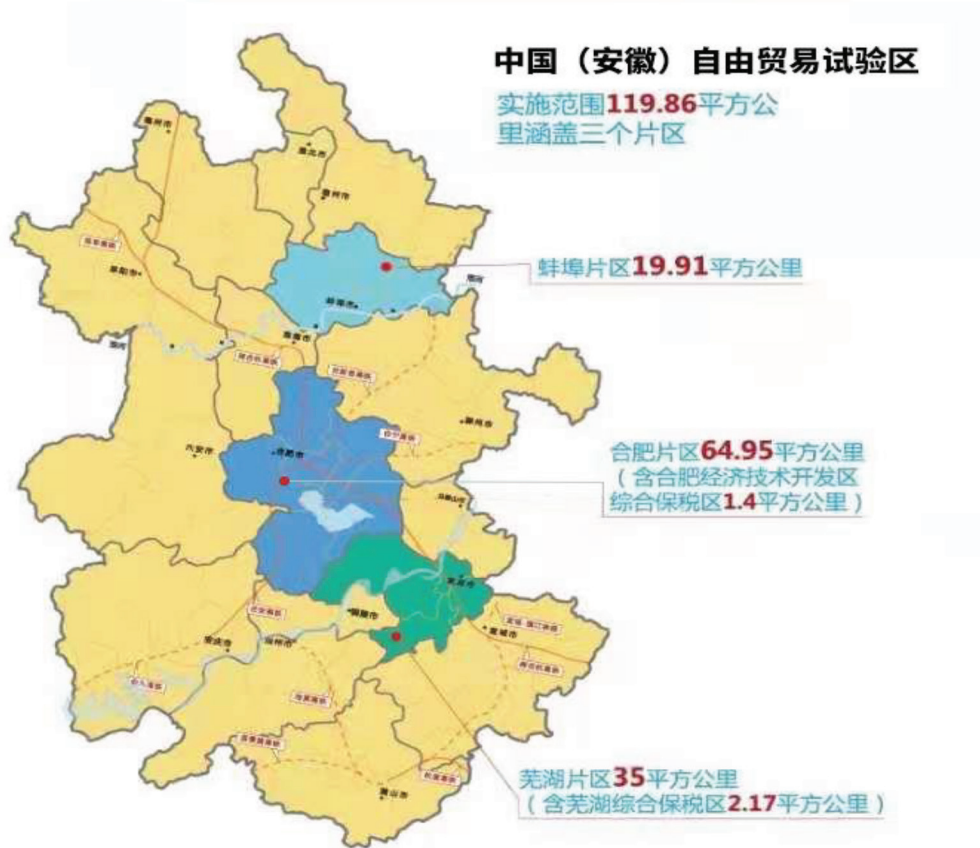


Figure 1: China (Anhui) Pilot Free Trade Zone Area Map

Source: National Bureau of Statistics (2021)

**Table 1:** Development Goals of the Three Major Areas of China (Anhui) Pilot Free Trade Zone

City	Area	Development Goals
Hefei	64.95 km <sup>2</sup>	Build a comprehensive national science center and industrial innovation center leading area with global influence Focus on the development of high-end manufacturing, integrated circuits, artificial intelligence, new displays, quantum information, science and technology finance, cross-border e-commerce, and other industries, and build a comprehensive national science center and industrial innovation center leading area with global influence.
Wuhu	35 km <sup>2</sup>	Build a strategic emerging industry pilot zone and a Jiang hai intermodal international logistics hub area Focus on the development of intelligent networked vehicles, smart home appliances, aviation, robotics, shipping services, cross-border e-commerce, and other industries, and create a strategic emerging industry pilot zone and an international logistics hub area for Jiang hai intermodal transport.
Bengbu	19.91 km <sup>2</sup>	To build a world-class silicon-based and bio-based manufacturing center, and a leading area for scientific and technological innovation and open development in northern Anhui Province Focus on the development of silicon-based new materials, bio-based new materials, new energy, and other industries, to build a world-class silicon-based and bio-based manufacturing center, and a leading area for scientific and technological innovation and open development in northern Anhui.

promote scientific and technological innovation, industrial innovation, enterprise innovation, product innovation, and market innovation, vigorously create an investment and trade environment that is legal and internationalized, and facilitated, accelerate the formation of several replicable and generalizable new experiences in open development, and build a new system of the open economy at a higher level.

- Highlight scientific and technological innovation and industrial advantages and strive to promote the deep integration of scientific and technological innovation and the development of the real economy. Anhui adheres to the road of “science and technology + industry.” The Anhui Pilot Free Trade Zone will give full play to the advantages of Anhui’s scientific and technological innovation, improve the institutional mechanism to support basic research and original innovation, promote the construction of the source of scientific and technological innovation, give full play to industrial advantages, support the development of high-end manufacturing, and vigorously cultivate emerging industries.
- Highlight the radiation driving effect of the pilot free trade zone and actively serve and integrate into major national strategies. The Anhui Pilot Free Trade Zone will fully dock with the Shanghai-Jiangsu-Zhejiang Pilot Free Trade Zone, promote the coordinated development of the Yangtze River Delta Regional Pilot Free Trade Zone, strengthen the linkage development with the Yangtze River Economic

Belt and other pilot free trade zones in the central region, and achieve complementary advantages, co-construction, and sharing.

- Highlight the exploration of differentiation and focus on optimizing functional partitions and industrial layout. The Anhui Pilot Free Trade Zone will be based on the industrial base and resource endowments of the three areas, clarify the functional positioning, encourage bold experimentation and bold breakthrough, carry out in-depth differentiated exploration, and promote the formation of a new model with different characteristics, linkage of areas, coordination and efficiency, and competitive development.

## 2.2. Measurements

Focusing on promoting the in-depth integration of scientific and technological innovation and the development of the real economy, accelerating the construction of scientific and technological innovation sources, advanced manufacturing and strategic emerging industries, promoting the integrated development of the Yangtze River Delta region, and forming a new highland for inland opening up, the Anhui Pilot Free Trade Zone has put forward specific measures to promote scientific and technological financial innovation, promote the transfer and transformation of scientific and technological achievements, and cultivate and lay out future industries (National Development and Reform Commission, 2020).



### 3. SWOT Analysis

#### 3.1. Strengths

##### 3.1.1. Location Advantage

Anhui Province is located in the Yangtze River Economic Belt, and the Belt and Road is an important strategic position. In the new stage of double circulation development based on internal circulation, the location of Anhui Province not only has the advantage of logistics costs with a large radiation radius but also has the transportation advantages of port shipping linking the sea mouth, which is conducive to becoming a logistics hub connecting internal and external circulation. Anhui Province has the Huai River in the north, the Yangtze River in the south, Wuhu, Ma'anshan, Anqing, and other large ports in the province, two major international airports in Hefei Xinqiao and Huangshan Tunxi, and two main railway lines in Beijing-Kowloon and Jinpu traverse the province. The density of railway and highway networks in Anhui Province ranks among the highest in China. Anhui Province is located in the strategic location of two-way opening up inside and outside the country, with good location and transportation advantages, which has greatly increased the connection between Anhui Province and the outside world and plays an important role in further opening up to the outside world (Anhui Provincial People's Government, 2021).

##### 3.1.2. Rich Resources

Anhui Province has quality human resources. In 2019, there were only ten provinces with a population of more than 50 million, and the total population of Anhui Province exceeded 60 million. In addition, Anhui Province has more than 100 colleges and universities, of which the University of Science and Technology of China is located in Hefei, Anhui Province; its scientific research capabilities, innovation capabilities, and scientific and technological transformation capabilities are first-class in China, and the provincial capital Hefei has become China's science and education center. The quality labor forces provide sufficient impetus for the development of the manufacturing industry in Anhui Province, especially high-skilled manufacturing and service industries. In addition, as a large province of natural resources, Anhui Province first has rich mineral resources, of which the petrochemical industry of Anqing is very famous in the country. Secondly, Anhui Province also has internationally renowned tourist attractions such as Huangshan and Jiuhuashan, and tourism has stimulated consumption and promoted the development of the tertiary industry. In addition, Anhui Province also has wealthy agricultural resources; the total arable land resources

in Anhui Province reached 5730.2 thousand hectares, ranking fourth in the country. Moreover, in 2020, the perennial output value of grain, oil, and cotton will rank at the forefront of the country (Anhui Provincial Bureau of Statistics, 2021).

##### 3.1.3. Industrial Transformation and New Industries

At present, Anhui Province's characteristic industries are mainly concentrated in automobiles, home appliances, electronic information, new building materials, etc. One of the most advantageous is the automobile industry. The annual production and sales of automobiles have maintained a leading position in the country - Chery Cars, Jianghuai Automobile, Ankai Automobile - have become well-known brands at home and abroad. The household appliance industry is also quite competitive in the domestic market, with Meiling, Rongshida, and other well-known enterprises in the country. Emerging industries such as the electronics and software industries are also developing rapidly. Anhui Province has formed several new building materials enterprises with more significant influence in the country, such as Guofeng Plastic Industry, Conch Profiles, etc.

Anhui Province adheres to the deep integration of traditional and emerging industries, enhances the competitiveness of traditional industries with copper wall and iron will, and guides the development of emerging industries with core screen device integration and lifelong wisdom. Hefei is the most bullish venture capital institution in the outside world. Hefei introduced BOE and Weilai through state-owned equity investment. Today, BOE already has the world's leading semiconductor display technology. Weilai China headquarters settled in Hefei, focusing on building the world's advanced new energy automobile industry and injecting new momentum into the high-quality economic development of Anhui Province. The outside world has hailed this series of operations as the "Hefei model" for the government to cultivate industries. These advantages attract domestic and foreign investors to invest in Anhui and promote industrial transformation and upgrading (Anhui Provincial People's Government, 2021).

##### 3.1.4. Technological Innovation Capabilities

Anhui Province attaches great importance to scientific and technological innovation, pays attention to scientific research investment, encourages the province to inject cardiotoxic agents into scientific and technological innovation, and has developed rapidly in science and technology and has significant advantages in science and technology innovation. Anhui Province has been committed to improving its scientific research level and building a national scientific research center.

At the same time, Anhui Province actively promotes the construction of the “Four Ones” innovation central platform (accelerating the construction of Hefei Comprehensive National Science Center around original innovation, promoting the construction of Hefei Binhu Science City around technological innovation planning, deepening the construction of Hewu Mussel National Independent Innovation Demonstration Zone around industrial innovation, and promoting the construction of comprehensive innovation and reform pilot zone around the institutional innovation system). In 2018, Anhui Province’s regional innovation ability ranked first in the country for seven consecutive years, the number of various scientific and technological institutions reached more than 6,000, the number of invention patents per 10,000 population was about 9.8, and the turnover of the technology market was as high as 32.131 billion yuan. In 2019, IFLYTEK was selected as the Forbes China’s Most Innovative Enterprise List (Anhui Provincial People’s Government, 2021).

## **3.2. Weaknesses**

### **3.2.1. Slow Opening-up Economy**

At present, Anhui has increased the reform of the economic system. However, because of the uncertainty of the reform focus, there is still a big gap between the strength and the requirements of the international economic and trade rules, so there is an urgent need to solve the core problem of Anhui to build a free trade area is the operating system of an open economy is not smooth. The gap between the development level of Anhui Province and Shanghai, Jiangsu, and Zhejiang is large, and the task of catching up with the standard is still very arduous. The outward economic orientation of Anhui Province is still lower than that of other provinces in the Yangtze River Economic Belt, reflecting that the degree of Anhui Province’s participation in international economic trade needs to be further improved. At the same time, there is a severe imbalance of the development of various regions in the province. In 2019, the GDP of Anhui Province reached 3,711.4 billion yuan, of which the GDP of other cities except Hefei reached 940.94 billion yuan, and the GDP of other cities was less than 400 billion yuan (Kan et al., 2021). Among them, the provincial capitals of Hefei and Wuhu in southern Anhui are areas with relatively high openness and a relatively developed economy in Anhui Province. At the same time, other cities are relatively backward, and the driving force of central cities needs to be further improved.

### **3.2.2. Weak Competitiveness of Local Industries**

The Anhui Pilot Free Trade Zone construction requires enterprises to have sufficient competitiveness to dock the

double cycle strategic goal. However, many enterprises in Anhui Province are not competitive enough, and only 9 of the top 500 Chinese enterprises in 2020 are on the list, far from the rest of the country (Dai & Sun, 2021). The development of the modern industrial system in Anhui Province is not balanced, and the development gap between strategic emerging and high-tech industries such as software, communications, and electronic equipment manufacturing in the industry is still huge compared with Jiangsu, Zhejiang, and Shanghai regions. The tertiary industry in Anhui Province accounts for 51.3%, which is less competitive than the development of the tertiary industry in coastal areas. Therefore, there is still much room for growth. At the same time, there is a lack of leading enterprises and brands in the three major industries in Anhui Province, most of which are traditional, and the added value of products is not high, resulting in low profit margins. Poor industrial complementarity, the convergence of industrial structures, excessive competition between industries, repeated construction, and overcapacity is serious, affecting the overall economic benefits of the province. At the same time, the immature development of industrial informatization also affects the industry’s long-term development. Although Anhui Province has certain industrial development advantages, the industrial structure still needs to be continuously optimized.

Although Anhui Province has abundant resources, its resource utilization rate is low. In terms of land resource use, many industries have not realized intensive production methods, resulting in excessive use of land resources and a lack of overall planning and control of the land. In the use of labor resources, there is a lack of training and attraction mechanisms for personnel, and the labor structure of the province is seriously mismatched with the needs of social employment, resulting in inefficient use of labor. In terms of financing, the innovation of financial products and services is still insufficient, the venture capital mechanism is not very sound, and the critical strategic emerging industries mainly rely on government support and lack the support of social capital.

### **3.2.3. Poor Financial Markets and Services**

According to the data released by the Anhui Provincial Bureau of Statistics (2021), comparing the foreign capital utilization in Anhui Province in recent years, from 6.63 billion U.S. dollars in 2011 to 18.31 billion U.S. dollars in 2020, the proportion of foreign capital utilized in Anhui Province has risen to 12% in the country. The scale of foreign capital utilization in Anhui Province has been expanding but compared with neighboring provinces and regions, the amount of foreign capital utilization in Anhui Province is still seriously insufficient. The scale of investment in Anhui Province is small, the flow of foreign capital is uneven, and

there is still a big gap in the business environment compared with developed areas such as Jiangsu, Zhejiang, Shanghai, etc., which will become the bottleneck of building an open economy.

Small and medium-sized enterprises in Anhui Province have developed rapidly in recent years and have developed into important economic growth points, but the overall scale of enterprises is small, the brand competitiveness is weak, the ability to resist market risks is poor, and the development of enterprise credit guarantees in Anhui Province is still immature, and banks are generally unwilling to lend to small and medium-sized enterprises for a long time, so small and medium-sized enterprises generally have financing difficulties. There is a gap between the level of financial services and the needs of enterprises in the pilot free trade zone; the ability to accurately serve the real economy is not strong, and financial innovation is insufficient. It is very difficult for small and medium-sized enterprises in some industrial clusters in urgent need of growth to meet the conditions for bank loans due to imperfect management systems, small scales, and insufficient mortgage guarantee capacity. This has seriously affected the growth of enterprises, especially the development of technology-based SMEs and new businesses in the incubation period (Dai & Sun, 2021).

### 3.3. Opportunities

#### 3.3.1. New Patterns for Development

According to the changes in China's development stage, environment and conditions, the CPC Central Committee has put forward a new development pattern of taking the domestic cycle as the main body and the domestic and international dual cycles, and China has shifted from an export-oriented development model to a domestic demand-driven and innovation-driven development model, and from promoting the inside-outside to promoting the outside (China Today, 2020). Under the new development pattern, the central and western regions are expected to undertake industrial transfer in the eastern region and rely on traditional resource advantages to achieve breakthrough development.

In this context, it is crucial to promote a new round of opening up, achieve regional economic integration, and broaden the space for international cooperation. The new round of opening up is a high standard and high level of opening up, the construction of the Belt and Road, the creation of an upgraded version of the China-ASEAN Free Trade Area, and the signing of the Regional Comprehensive Economic Partnership (RCEP), all of which reflect the in-depth expansion of the new round of opening up. The transformation and upgrading of industries under the new round of opening up pattern must closely rely on cultivating and developing strategic emerging industries facing the

future and enhancing the modernization level of the industrial chain. The strategic emerging industries in the Anhui Pilot Free Trade Zone started early, have a good foundation, and have a large scale, and the new round of opening up pattern has added opportunities for Anhui to actively build a modern industrial system that reflects the requirements of green development and highlights its characteristic advantages and seek a higher level of transformation.

#### 3.3.2. Policy Support

In 2013, General Secretary Xi Jinping proposed the Belt and Road Initiative, and Anhui Province took this opportunity to uphold the principle of consultation, sharing, and co-construction and play an important role in regional cooperation. The China-Europe international freight train is an important support for Anhui Province's expansion of opening up to the outside world, and its influence has been expanding. The 2016 Outline Development Plan for the Yangtze River Economic Belt established a new pattern of development in the Yangtze River Economic Belt with one axis, two wings, three poles, and multiple points (Xinhua News, 2021). Anhui Province is at the intersection of the Belt and Road, the development of the Yangtze River Economic Belt, the Yangtze River Delta regional integration development of the triple national strategy, and the rise of the central fulcrum city, so the unique advantages can obtain the preferential policy support of major development strategies, the Anhui Pilot Free Trade Zone for Anhui Province to directly participate in international economic cooperation, and actively and effectively attract foreign investment to provide a higher platform.

Hefei, Wuhu, Ma'anshan, Anqing, Tongling, Chizhou, Chuzhou, Xuancheng, and other eight cities take this opportunity to continuously accelerate the construction of inland open economic highlands. In September 2020, the Anhui provincial free trade zone was established, delineating three areas of Hefei, Wuhu, and Bengbu, and a series of policies helped the economic development of Anhui Province, and the open economic development of Anhui Province reached a new level (China Government Network, 2021).

#### 3.3.3. Benchmarking of Other FTZs in China

The first five batches of free trade zones have formed a set of replicable and replicable experiences, many of which are located in inland areas, such as the second anniversary of the listing of the Shandong Pilot Free Trade Zone (Meng & Zeng, 2019), in accordance with the guiding ideology of bold trial, bold breakthrough, and independent reform, a series of replicable and generalizable innovative achievements have been continuously exported to serve the national opening

strategy. In the field of trade facilitation system innovation, Yantai, Jinan, and Qingdao have not only completed some common claim tasks but also continuously explored institutional innovation. Innovations in trade facilitation systems have distinctive characteristics and bright spots. The construction of the Anhui Pilot Free Trade Zone can learn from the successful operation experience of the previous batches of free trade zones (see Table 2), strengthen the docking with other free trade zones, promote the economic development of Anhui Province, and improve the level of opening up.

All provinces, cities, and regions across the country are actively striving for development opportunities for opening up to the outside world and promoting reform with opening up. All free trade zones optimize the industrial structure, actively cultivate advanced high-end industries, and promote industrial upgrading and optimization. With the improvement of the business environment of the free trade zone, it has formed a huge attraction to the existing capital and factors, which has a siphon effect on the capital of Anhui Province and brings great challenges to the construction of the Anhui Pilot Free Trade Zone.

### 3.4. Threats

#### 3.4.1. Global Economic Downturn and COVID-19

Affected by the global economic recession and the global spread of the new coronavirus epidemic, global trade, investment, and cross-border activities of personnel have declined, and economic globalization has been seriously hindered. The difficult external situation has affected the foreign exchanges and foreign investment in the Wuhu area, resulting in the insignificant role of the pilot free trade zone in Anhui's economy.

#### 3.4.2. Competition between FTZs in China

At present, the layout of the pilot free trade zone has covered 21 provinces and municipalities directly under

the central government, covering the eastern, central, and western regions and coastal and border areas. The earliest pilot free trade zone was the Shanghai Pilot Free Trade Zone in 2013. These pilot free trade zones have taken the lead in enjoying the dividends brought by opening up and innovation and have accumulated some experience in institutional innovation and opening up. As a new pilot free trade zone, Anhui is under competitive pressure from other pilot free trade zones across the country.

## 4. Recommendations for Development of Sustainable Competitive Advantages

The China (Anhui) Pilot Free Trade Zone was unveiled on September 24, 2020, and the goose-shaped array in Hefei, Wuhu, and Bengbu quickly started construction, boldly testing, boldly breaking through, and making independent changes. Solidly promote the “9 + 3 + N” special action plan, the reform and opening up test field benchmarking demonstration role to accelerate the highlighting, the vitality of opening up to the outside world continues to release, the role of high-quality development engine is becoming increasingly prominent, the relevant units and three areas (Hefei, Wuhu, Bengbu) initially established a policy system (Anhui Provincial People's Government, 2021).

Based on the SWOT analysis (see Table 3), this study finds that the Anhui Pilot Free Trade Zone has a set of comparative advantages, including location advantage, rich resources, industrial transformation and new industries, technological innovation capabilities, and new patterns for development, and policy support. These comparative advantages are of great significance to the development of the Anhui Pilot Free Trade Zone, which can help expand the scope and openness of the regional economy and foreign investment. However, to achieve the development objectives of the Anhui Pilot Free Trade Zone as planned, these comparative advantages must be developed and converted into a set of sustainable competitive advantages for the regional economy. The following development suggestions are put forward.

**Table 2:** List of Pilot Free Trade Zones in China

Year	Pilot Free Trade Zone	Along the Yangtze River
2013	Shanghai	Shanghai
2015	Guangdong, Tianjin, Fujian	
2017	Liaoning, Zhejiang, Henan, Hubei, Chongqing, Sichuan, Shaanxi	Hubei, Chongqing, Sichuan
2018	Hainan	
2019	Shandong, Jiangsu, Guangxi, Hebei, Yunnan, Heilongjiang	Jiangsu, Yunnan
2020	Beijing, Hunan, Anhui	Hunan, Anhui



**Table 3:** SWOT Analysis Summary

<b>Strengths</b>	<b>Weaknesses</b>
1. Location Advantage	1. Slow Opening-up Economy
2. Rich Resources	2. Weak Competitiveness of Local Industries
3. Industrial Transformation and New Industries	3. Poor Financial Markets and Services
4. Technological Innovation Capabilities	
<b>Opportunities</b>	<b>Threats</b>
1. New Patterns for Development	1. Global Economic Downturn and COVID-19
2. Policy Support	2. Competition between FTZs in China
3. Benchmarking of Other FTZs in China	

#### 4.1. Deepening Institutional Innovation

The construction of the pilot free trade zone is a systematic project to reshape the open pattern of Anhui; the core task is institutional innovation; it is particularly important to play a good innovation - first-hand chess -and improve the level of innovation and operation in Anhui, actively explore the transfer and transformation mechanism of scientific and technological achievements that integrate government, industry, academia and research funds, promote scientific and technological innovation, industrial innovation, enterprise innovation, product innovation, and market innovation, and accelerate the construction of an integrated science and technology market. Actively explore the cooperation mechanism for scientific and technological transactions that conforms to international rules and strive to create a source of scientific and technological innovation with important influence.

In the next development, the free trade zone should continue to benchmark international high-standard economic and trade rules, continue to deepen the reform of investment and trade facilitation, focus on project construction, vigorously carry out investment promotion, actively optimize the industrial ecology, further strengthen policy coordination, improve the efficiency of resource allocation, and accelerate the formation of a fair, unified and efficient market environment. Promote industrial quality improvement, expansion, and efficiency.

#### 4.2. Promoting Economic Cooperation and Foreign Investment

To establish a high-quality construction of the Anhui Pilot Free Trade Zone, it is necessary to continue to plan innovative measures around the four aspects: 1) the use of foreign capital, import, and export, 2) the introduction of market entities, 3) the coordination of the scientific and technological innovation, and 4) providing high-quality

services for investors. In doing so, strengthen the linkage between the province, the domestic linkage, and the international linkage, continue to strengthen the coordinated development of the region, carry out industrial cooperation with other national pilot free trade zones to learn from each other's strong points, and continue to increase the economic outputs and spillovers of the free trade zone to the local and surrounding areas. In addition, Anhui should continue to explore and strengthen its regional economic and strategic cooperative partnership with major international trade partners in the future and deepen regional pragmatic economic and trade cooperation among many other emerging countries and developing countries.

Anhui should further promote foreign investment to promote the development of opening up and trade. Combined with the actual needs of Anhui's development objectives, starting from improving its innovation ability, Anhui should selectively mobilize foreign capital according to the quality and level of foreign investment and raise the actual utilization of foreign capital. While emphasizing the number of investments, all regions should combine investment, technology, and wisdom to form a two-wheel-drive introduction bureau for high-tech manufacturing and high-end service industries, enhance the support of modern service industries for high-tech manufacturing, and continuously enhance the core competitiveness of manufacturing industries in various cities in Anhui Province.

#### 5. Conclusion

With the continuous development of global trade and the acceleration of the trend of global economic integration, the number of free trade zones is increasing, the types are becoming more and more diversified, and the development of the early single model has gradually changed from the development of a single model to a union between regions and neighboring countries; From the initial product trade to the later formation of science and technology free trade

zone, the development of the free trade zone has become an important part of the world economic development. Based on undertaking a series of everyday tasks, each FTZ relies on the comparative advantages of each province to clarify its strategic positioning.

In recent years, Anhui Province has been committed to developing an open economy. Its economic vitality has increased significantly under the impetus of preferential policies such as the Belt and Road Initiative, the China-Europe International Freight Shuttle, and the Yangtze River Economic Belt Development Plan. As a result, the total foreign trade has continued to grow. Anhui Province learns from the experience of the previously established free trade zone, combines its development characteristics, and focuses on exploring differentiated development paths.

The role of the Anhui Pilot Free Trade Zone was well defined, and a set of comparative advantages are highlighted. However, to fully propel opening up the regional economy, there are still large gaps, and targeted measures need to be taken to carry out the next step of constructing the free trade zone.

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