

Strategic Analysis of Promoting the Second Transformation and Upgrade of Processing Trade in Sichuan Province

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Abstract. In 2016, Sichuan Province issued the “Implementation Opinions on Promoting the Innovative Development of Processing Trade” and formulated a plan for a new round of processing trade industry transfer. However, the development status in recent years is far from the planning goal. How to effectively promote the transformation and upgrading of the second industry in processing trade, what opportunities and challenges exist in the new situation is the goal of this paper. This paper started with the status quo of processing trade in Sichuan, using literature research method, qualitative and quantitative method, analyzing the current situation and reasons of processing trade in Sichuan Province, analyzing the opportunities and challenges of the transformation and upgrading of processing trade, and finally get the proposes the transformation and upgrading of processing trade in Sichuan Province.

1. Introduction

The processing trade based on the theory of intra-industry trade, the extension of the value chain along the global scale will lead to economic organization and the upgrading of the industry. To achieve the development of processing trade and promote its transformation and upgrading, developing countries must first find the right position in the value chain[1]; Kean also analyzed from the perspective of value chain and found that the UK has realized the reform and development of the bio-industry after joining the global value chain[2]. Robert Koopman believes that processing trade exists in various countries, and should find ways to increase the value of domestic processing trade over foreign countries[3]. In view of the necessity of transformation and upgrading of processing trade, the first proposed transformation and upgrading of processing trade was Ms. Wu Yi(2004), who served as Vice Premier of the State Council. Hui-ling. Fang analyzed the geographical transfer of processing trade and believed that Hong Kong-funded enterprises in the Pearl River Delta region will shift to the interior and mountainous areas [4]. Yu-bin Guo believes that with the rising labor price and resource environment, the processing trade in the Pearl River Delta is facing tremendous pressure. Therefore, further measures must be taken to promote the transformation and upgrading of processing trade in Guangdong Province [5]. Qing. Wu believes that as the global economic environment intensifies, China's processing trade is greatly affected, so it is necessary to strengthen the transformation and upgrading of processing trade [6].

In terms of the path of transformation and upgrading of processing trade, Gang. Li proposed to innovate from the three perspectives of “new business process”, “new product” and “new business model” to realize China's processing trade. The transformation from hard manufacturing to soft manufacturing [7]. Zi-guang. Xu gave the research results from a macro perspective, and believed that the government should innovate the management system of processing trade to achieve transformation and upgrading [8]. Wei. Ding used questionnaires to explore the contents of several different listed processing trade enterprises in corporate strategy and management, and proposed countermeasures for transformation and upgrading of processing trade from the perspective of enterprise s[9]. Wei. Yu believes that based on the global value chain, China's processing trade should be transformed and upgraded from the three paths of knowledge transfer, technological innovation and labor factor change to realize China's industrial upgrading[10].

1.1. Evaluation

The above literature analysis shows that in recent years, academics and people from all walks of life in China have extensively studied and analyzed the problems of processing trade, the necessity and path of transformation and upgrading, and the research focuses on the eastern coastal areas of China that first developed processing trade. There are very few research scholars and materials on the transformation of processing trade in Sichuan Province. However, as one of the major provinces in China, Sichuan Province, as a central province in the central and western regions, serves as an important hub connecting the “One Belt, One Road” initiative and a strategic frontier of “opening to the west” as an important region to undertake the gradient transfer of processing trade. The transformation and upgrading of processing trade plays an important role in the steady growth of China's national economy and the steady development of foreign trade. Therefore, based on the research of these scholars, this paper will focus on the factors affecting the transformation and upgrading of processing trade in Sichuan Province, and make suggestions on the countermeasures and suggestions for the transformation and upgrading of processing trade in Sichuan Province.

2. Current Status of Processing Trade in Sichuan Province

2.1. Basic Situation of Sichuan Foreign Trade

Table 1 showing the import and export volume of Sichuan's foreign trade has continued to rise from 2005 to 2014. Since then, the total import and export volume in 2015 was US\$51.593 billion, a decrease of 26.56% compared with 2014. In 2016, the volume of imports and exports fell to 49.331 billion US dollars, down 4.38% year-on-year, and the decline in import and export trade volume slowed down. In 2017, the volume of foreign trade in Sichuan Province grew rapidly, with the total volume of imports and exports reaching 68.214 billion US dollars, an increase of 38.28% over the previous year.

Table 1. Import and export trade of Sichuan Province (Unit: 100 million US dollars)

Year	Total import and export	Export amount	Import amount
2010	327.78	188.45	139.33
2011	477.84	290.46	187.39
2012	591.25	384.61	206.64
2013	645.93	419.52	226.41
2014	702.52	448.50	254.02
2015	515.93	333.51	182.42
2016	493.31	279.46	213.86
2017	682.17	375.98	306.20
2018	899.40	504.00	395.40

Source of data: According to the website of the Sichuan Provincial Department of Commerce

2.2. Processing Trade has become the Main Way of Sichuan's Foreign Trade

From Table 2, we can see that the share of processing trade in Sichuan Province has generally increased since 2005, and the growth rate is relatively rapid. In 2012, the total import and export of processing trade reached US\$28.679 billion, a year-on-year increase of 36.48%, accounting for 48.54% of the total import and export trade. Since then, the processing trade has mushroomed, reaching US\$27.316 billion in 2016, an increase of 17.05% year-on-year; in 2017, it increased to US\$38.331 billion, a year-on-year increase of 40.32%

Table 2. Total import and export of three trade methods (unit: billion US dollars)

Year	General trade volume	Processing Trade	Other trade methods
2005	62.46	10.03	6.53
2006	80.71	22.56	6.94
2007	97.77	36.49	9.59
2008	136.26	65.39	18.73
2009	131.70	78.78	31.80
2010	161.78	108.92	57.08
2011	221.07	210.27	46.51
2012	238.12	286.97	66.16
2013	272.40	271.63	101.89
2014	275.99	284.84	141.70
2015	209.45	233.36	73.12
2016	163.71	273.16	56.45
2017	206.94	383.31	91.93
2018	207.20	492.80	

Source of data: According to the website of the Sichuan Provincial Department of Commerce

2.3. Sichuan's Processing Trade Structure is Unreasonable, Mainly Labor-Intensive

The structure of processing trade products is unreasonable. Even after the development in recent years, Sichuan's processing trade products involve more and more categories, and the product structure has been improved to some extent. However, the processing trade in Sichuan Province is still dominated by light industrial products such as clothing, footwear and toys, mainly Labor-intensive industries, their product level is very low, processing and production links are few, and the value-added rate of processing trade of products is relatively low. Although mechanical and electrical products and high-tech products have been developed in recent years, most of their products are processed in the assembly process, and the investment in scientific research is insufficient, and the technical level is not high. Generally speaking, in Sichuan Province, among the processing trade products, the proportions of leather products and apparel products are relatively high. The structure of processing trade products dominated by labor-intensive products is unreasonable. Transformation upgrade to complete.

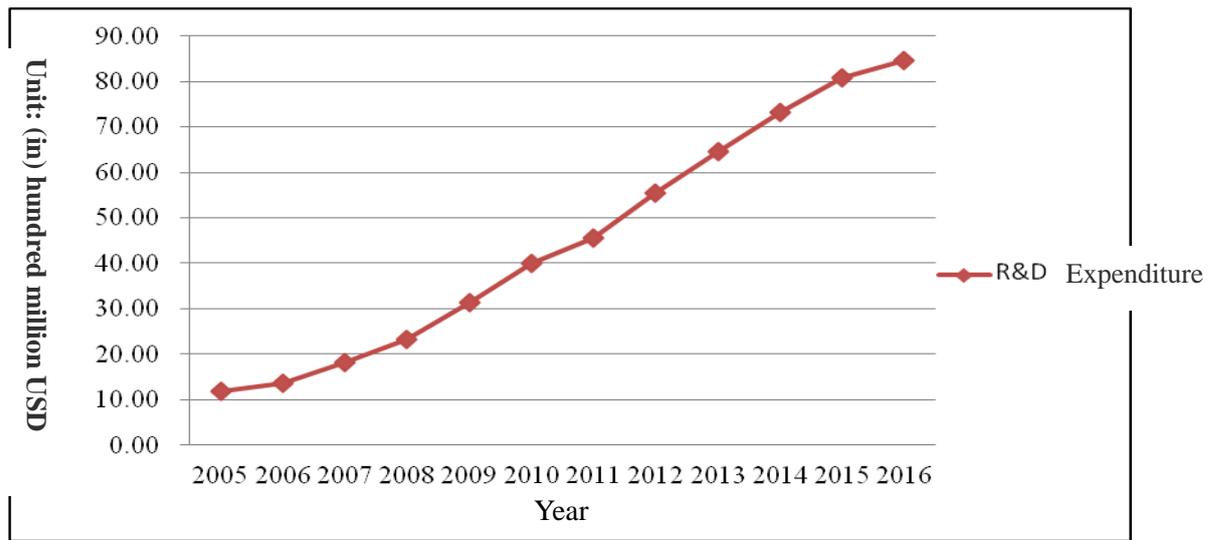
3. Conclusion

In the transfer and upgrade of the primary industry, it mainly focuses on mechanical equipment, electronic components, specialty chemicals, textiles and other major products, which are biased towards supporting. Products such as electronic products, textiles and footwear are an important component of the transfer of processing trade to Sichuan Province, and are also products with faster growth. The migration of processing trade to the west has become the policy focus of the state to promote the innovation and development of processing trade. In 2016, the provincial government issued the "Implementation Opinions on Promoting the Innovative Development of Processing Trade" and formulated a "road map" for a new round of processing trade industry transfer. Focus on the development of electronic terminal products, electronic components, machinery and equipment, automotive and parts, biomedicine, specialty chemicals, textiles and other seven categories of products. The status quo of development and the goals of planning are far apart, and there are great difficulties in transformation and upgrading.

3.1. Opportunities for the Transformation and Upgrading Of Processing Trade in Sichuan Province

3.1.1. Rich and High-Quality Talents and Increasing Scientific Research Expenditures Provide Human Intelligence Protection for the Transformation and Upgrading of Processing Trade in Sichuan Province

According to Sichuan Statistical Yearbook, the number of students and the number of scientific research personnel in the general higher education institutions in Sichuan Province in the past ten years has reached 362,100 in 2016. This shows that the overall labor culture quality of Sichuan Province has improved, so it can improve the labor proficiency;



Source of data: Sichuan Statistical Yearbook

3.2. The Growth of FDI Provides Excellent External Conditions for the Transformation and Upgrading of Processing Trade in Sichuan Province.

The methods of foreign direct investment (FDI) affecting processing trade are generally divided into the following three types: First, foreign direct investment advanced production technology, management experience and advanced machinery and equipment combined with the rich and cheap labor of Sichuan Province can constitute processing trade. Second, the use of foreign companies to improve the international sales network and sales channels into the international market; Third, through the technology diffusion effect to improve the labor productivity of related industries in the processing sector, improve the overall technical level of enterprises and even industries.

According to the website of the Sichuan Provincial Bureau of Statistics, in 2017, the actual foreign investment in the province was 8.31 billion US dollars, and 579 foreign direct investment enterprises were newly approved. In 2018, the actual use of foreign capital was 75.43 billion Yuan, an increase of 28.7% over the previous year. Newly approved (recorded) 607 foreign direct investment enterprises, accumulatively approved (recorded) 12,308. 244 overseas Fortune 500 companies settled in Sichuan. The investment of these enterprises in Sichuan has led to the transformation and upgrading of Sichuan's processing trade.

3.3. Industrial Structure Transformation and Upgrading is the Internal Condition for the Transformation and Upgrading of Processing Trade in Sichuan Province

The continuous upgrading of the industrial structure requires that the processing trade industry entering Sichuan Province should be adapted accordingly. Sichuan's processing trade should shift from labor-intensive industries to capital and technology-intensive, so it is necessary to optimize and upgrade the industrial structure to drive the development of processing trade.

3.4. The Government's Incentive Policy Provides Policy Support for the Transformation and Upgrading of Processing Trade in Sichuan Province

In 2016, the Sichuan Provincial People's Government "Implementation Opinions of the Sichuan Provincial People's Government on Promoting the Innovation and Development of the Processing Trade Industry" pointed out that the Sichuan Provincial Government will focus on solving the difficulties and problems in the development of processing trade and accelerate the promotion of multi-level development of the processing trade industry. . The main points of work are: First, promote the development of industrial clusters, build leading enterprises, promote the development of processing trade to the secondary and tertiary industries, and expand the industrial chain in the province. Second, build a transfer platform to play the role of Chengmude to undertake processing trade transfer. Demonstration effect, support the construction of high-tech industrial parks, stimulate the continuous development of processing trade; Third, promote the transformation and upgrading of processing trade, and extend the value chain of processing trade. Promote the transformation and upgrading of the manufacturing industry, enhance the core competitiveness, lay a solid industrial foundation, promote technological improvement, upgrade the technical level, and accelerate the transformation and upgrading of the manufacturing industry.

4. Suggestions

4.1. Make Full Use of FDI and "Going Out" Aspects of Walking on Two Legs

In order to promote the transformation and upgrading of processing trade, the government and enterprises should make full use of foreign direct investment, improve the foreign investment environment, and attract more high-quality foreign investment. Secondly, we must encourage processing trade to carry out overseas cooperation, and vigorously develop production service industries such as service outsourcing and overseas financial leasing; in the context of "One Belt, One Road", we will drive equipment and large-scale electromechanical products and technologies and standards under the project.

4.2. Promote Industrial Development and Optimize Industrial Structure

For a long time, labor-intensive industries will be an important part of Sichuan's processing trade industry. In order to better promote the transformation and upgrading of processing trade, we must give full play to the positive role of industrial structure in the development of processing trade, and guide the transformation and upgrading of processing trade with the industrial structure of Sichuan Province. Promote the healthy development of emerging industries and advanced manufacturing industries, support enterprises to develop R&D, logistics distribution, distribution and warehousing and other outsourcing services along with the processing trade industry chain, improve the influence of Sichuan economy in China and even the whole world, and improve processing trade enterprises in Sichuan Province. The domestic and international status promotes the low-end processing trade industry in the value chain to the high-end of the value chain, and promotes the transformation and upgrading of Sichuan's processing trade from labor-intensive to technology-intensive and capital-intensive.

4.3. Further Improve the Sichuan Multimodal Transport System

The Sichuan province, which is located in the western inland region, does not depend on the sea or the border, which restricts the development of foreign trade. Import and export goods are far away and costly, which requires Sichuan Province to vigorously develop the transportation industry. So far, the "One Belt, One Road" strategy has made Sichuan Province an important area for the construction of the Silk Road Economic Belt and an important gateway for the "Onshore Silk Road". It is important for Sichuan Province to further develop international trade and promote the transformation and upgrading of processing trade. it is necessary to further improve the railway network in the Mainland, expand the scope of domestic radiation, expand the channel of Rong-Europe, strengthen the international freight network, promote the optimization of the layout of railway freight yards, and

establish a multi-modal system of water, land and air.

4.4. Give Full Play to the Government's Incentive Role, Gradient Layout Industrial Structure

It is necessary to strengthen the coordination and integration of the existing export processing zones, bonded zones, bonded logistics parks and other special customs supervision areas, relying on the development of the airport logistics industry, and establish a free trade zone with “functional support, efficient supervision, and convenient customs clearance”. To adapt to the new requirements of high-end manufacturing activities and processing trade-related service industry development, and improve policies. Due to industrial support, development basis. The government should play its role of macroeconomic regulation and control, take active measures to promote the transfer of processing trade industry to Leshan, Suining and Zhangzhou, and the development potential of second and third tier cities is increasing.

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