

# Research on the Acceleration of Supply-side Structural Reform

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**Keywords.** Enterprises Upgrading and Transformation, Regional Economy, Supply-Side Structural Reform

**Abstract.** This paper focuses on the Government's Help to the Acceleration of Supply-side Structural Reform in FuJian Province. The research team conducted an in-depth investigation and analysis the main problems and difficulties faced by private enterprises in upgrading and upgrading in our province and explores the countermeasures for effectively accelerating the transformation and upgrading of private enterprises through several field investigations inside and outside the province. The research team found that some enterprises had severe industrial overcapacity, overstock of real estate, poor international export environment and high corporate debt, which had restricted the economic development of FuJian. After thorough investigation and analysis, the research group put forward several feasible schemes.

## 1. Introduction

In order to analyze the main problems and difficulties existing in the upgrading and transformation of private enterprises in our province and explore the effective countermeasures to promote the transformation of private enterprises in our province, the team organized many times of both the field research, and visited a number of successful transformation of private enterprises. The first-hand information of the development of private economy was obtained in the field investigation. Private enterprise holds the balance in FuJian economy position. After years of development, private enterprises in FuJian have undergone great changes in their management system and operating mechanism, which have greatly improved their vitality and competitiveness. Under the new normal, there are still many institutional, institutional, structural and historical problems that private enterprises need to further solve and they are becoming increasingly difficult. In the macro environment where the new round of scientific and technological revolution and the transformation and upgrading of China's manufacturing industry form a historic intersection, FuJian, as one of the most active regions for private enterprises in China, must seize the historical opportunity, give full play to its advantages, transform and upgrade in an all-round way, and stride into the ranks of the strong manufacturing provinces in China.

Through several provincial surveys and cross-provincial studies, the research group visited several typical private economic regions and their successful enterprises, explored their successful development experience and regional policy advantages, and put forward some countermeasures to accelerate the transformation and upgrading of private enterprises. Through investigation, the research group found that private enterprises in our province are facing problems in the new normal of economic development in private enterprises. Through in-depth analysis and research, the research group puts forward the corresponding countermeasures, such as accelerate the supply-side structural reform, and strive to provide beneficial policy advice and Suggestions for accelerating the transformation and upgrading of private enterprises in our province.

In this paper, the authors research into the comprehensive curriculum reform of intelligent manufacturing in colleges and universities serving local areas. It is supported by the achievements of some projects, such as the "Introduction to E-Commerce' Provincial Quality Open Online Course Project" (Project Number: QZTCJWC20180103) which is funded by the education department of FuJian province, the "Overseas Visiting Scholar Program of FuJian Province Academic Leaders Training Program" which is funded by the education department of FuJian province, the "Intelligent Manufacturing Majors in Colleges and Universities Serve Local

Education Reform” (Project Number: FBJG20170210) which is provincial educational reform program and funded by the education department of FuJian province, the “Joint Research on Agile Manufacturing Key Technologies” (Project Number: 201708) which is funded by QuanZhou science and technology association.

This paper, which lays emphasis upon the current situation of Economic development in FuJian, the impact of the new normal of economic development on private enterprises, and the accelerating supply-side structural reform is conducive to FuJian's economic development. The overall organization of the paper is as follows. After the introduction, in Section II we present the current situation of Economic development in FuJian, and it lists a lot of data and charts. the impact of the new normal of economic development on private enterprises are clarified in section III, including severe overcapacity in some industries, overstock of real estate, poor international export environment and high corporate debt. In section IV, the accelerating supply-side structural reform is conducive to FuJian's economic development, are touched upon. Some effective measures, such as cultivating and developing new industries, relaxing the entry threshold of administrative monopoly industries, and helping private enterprises to solve the difficulties in reducing capacity and inventory, are proposed in this part. Finally, Section V concludes the paper.

## 2. Current Situation of Economic Development in FuJian

In 2018, the GDP of FuJian reached 3,580.404 billion yuan, an increase of 8.3 percent or 0.2 percentage points over the previous year in comparable prices. By sector, the added value of the primary industry was 237.982 billion yuan, up to 3.5%; The added value of the secondary industry was 1723.236 billion yuan, up to 8.5%; The added value of the tertiary industry was 1619.186 billion yuan, up to 8.8%. In 2018, the added value of industries above the designated size in the province increased by 9.1 percent or 1.1 percentage points over the previous year. The value added of light industry increased by 8.9 percent and heavy industry by 9.2 percent. By type of registration, the added value of state-owned enterprises increased by 7.8 percent, joint-stock enterprises by 10.3 percent, joint-stock cooperative enterprises by 14.4 percent, and enterprises with foreign investment and investment from Hong Kong, Macao and Taiwan by 6.9 percent. The value added of the mining sector grew by 7.8 percent, the manufacturing sector by 8.9 percent, and the power, heat, gas and water production and supply sectors by 11.9 percent. However, against the background of the trade war between China and the United States, our province is facing fierce market competition, traditional overcapacity, strengthening of resources and environment and other new normal constraints and factors, and the development of manufacturing industry is also facing severe challenges, and transformation and upgrading is imminent.

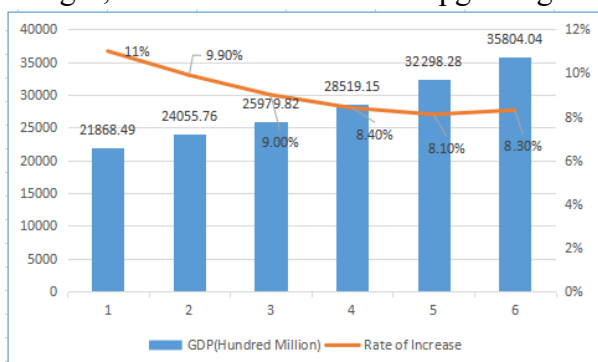


Figure 1. Total GDP of FuJian province and its growth rate from 2013 to 2018

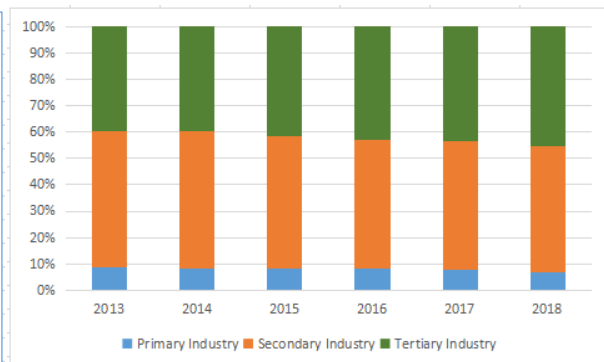


Figure 2. The proportion of added value of the three industries in GDP of FuJian province from 2013 to 2018

(The data are from the China Business Industry Research Institute database).

The number of small and medium-sized enterprises in China accounts for more than 99% of the total number of enterprises in the country. They are the fresh force of China's economic development and play an important role in promoting economic growth, relieving employment pressure and maintaining social stability. FuJian province, especially FuJian minnan area, is one of the most active places for the development of private enterprises in China. In the past 40 years since the reform and opening up, the number and scale of private enterprises in FuJian have been growing rapidly year by year. Private enterprises have become one of the main driving forces for the economic development of FuJian, especially in southern FuJian.

In 2018, the ex-factory price of industrial producers in the province rose 2.8 percent, or 1.3 percentage points less than that of the previous year. December was up to 2.4% from a year earlier and down 0.6% from a month earlier. In 2018, the purchase prices of industrial producers rose 2.8 percent year-on-year, or 2.5 percentage points less than the previous year. December was up to 1.2% from a year earlier and down 1.0% from a month earlier.

However, due to many natural defects of private enterprises in capital strength, development strategy, management and technology upgrading, market expansion, etc., the abnormal death and shortened survival period of private enterprises become a new normal in the development process of China's private economy. In recent years, China's economic development and growth mode will have a major change in the macro background, private enterprises in the low industrial quality is a private enterprise in the process of development. It is more prominent and urgent to solve the problem.

Our research group investigated a large number of private enterprises in FuJian, and found that currently private management methods are generally backward, there is a shortage of truly competent management talents, professional managers and enterprise owners have a low degree of mutual trust, and family management and paternalistic management methods are still common. Many small and medium-sized private enterprises complain that a small number of enterprises collude with officials and businessmen to use unfair means of competition to achieve abnormal development. In recent years, private enterprises in our province, especially small and medium-sized private enterprises, generally suffer from financing difficulties and the lack of development momentum. Many small and medium-sized private enterprises are weak in resisting risks and look forward to group development.

### **3. The Impact of The New Normal of Economic Development on Private Enterprises**

Firstly, serious overcapacity in some industries in FuJian province has affected economic development. According to the data, from 2002 to 2015, the output and capacity of cement, plate glass, coke, chemical fiber, steel and electrolytic aluminum in our province maintained a continuous growth. Among them, cement, plate glass, coke, chemical fiber and other industries capacity growth more than the actual output growth. The rapid expansion of production capacity indicates that new production capacity is still increasing every year. The data shows that there is still excess capacity in steel, electrolytic aluminum, plate glass, light textile products, household appliances, and some high-tech products. Therefore, the problem of excess capacity in these industries is becoming more and more serious. The proposal of the 13th five-year plan clearly points out that serious overcapacity in some industries is a prominent problem faced by China's economic development. The central economic work conference also listed cutting overcapacity as the top five economic tasks in 2016.

Secondly, the overstock of real estate in some cities is affecting the economy. Since 2014, due to the past concentrated development, the real estate inventory in these cities is seriously overstocked. At the same time, due to the overstock of housing stock, some cities failed to sell even one mu of land, which also caused the fiscal contraction of local governments that rely heavily on land and severely restricted their development. All the above phenomena indicate that under the traditional urbanization development mode, the growth mode dominated by real estate is facing severe

challenges. In the investigation conducted by my team in 2016, it was found that many third-tier and fourth-tier cities or county-level cities in our province had seen overheating of real estate.

Thirdly, under the background of the us-china trade war, the international environment has a negative impact on export-oriented enterprises. Since 2016, the situation of slow global economic growth has not been significantly improved, and differences in the process of economic recovery between different countries have become more apparent. Economy showed signs of recovery in developed countries, particularly in the United States economic recovery in the overall stability, the real estate market rebound steadily, and manufacturing expansion, the Labour market continue to improve, and expected to improve residents' consumption ability, technology and business model innovation hot spot, but the level of economic growth is still lower than that before the crisis, enterprise investment and volatile. In its latest global economic outlook, the IMF once again lowered its forecast for global economic growth. It predicted that the global economy would grow by 3.2% in 2016, including 1.9% in developed economies and 4.1% in emerging economies. The global economy grew by 3.5 percent in 2017, with developed economies growing by 2.0 percent and emerging economies by 4.6 percent. The Chinese economy is at a critical stage of structural readjustment, and there is a serious shortage of effective demand. There are many obstacles to replacing old drivers of growth with new ones.

Fourthly, the impact of some bad debts on enterprises in our province. Since 2015, China's real economy has been facing tremendous downward pressure, with insufficient money supply, weak economic growth and obvious downward trend, and the environment for enterprises to survive and develop has become increasingly difficult. As the market competition pressure increase, many private enterprises, especially small and medium-sized market participants, such as a lot of small loans, small guarantee company, by high debt, interest rates and the shortage of operating costs and their own management multiple extrusion, have been a major difficulty, facing the market marginal situation. With the sharp increase of enterprise pressure, various kinds of triangle debts and current debts are faced with severe pressure. With the continuous decrease of enterprise profitability and rising financial expenses, the overall development situation of Chinese enterprises is still grim.

#### **4. Accelerating Supply-side Structural Reform is Conducive to FuJian's Economic Development**

Firstly, FuJian urgently needs to cultivate and develop new industries. The research group believes that it is necessary to accelerate transformation and upgrading, accelerate the cultivation of new industrial flashpoints, develop strategic emerging industries and industrial clusters, further transform and upgrade traditional industries, vigorously develop modern agriculture and support emerging industries. Under the background of the new-generation information technology revolution, the new industrial revolution and the integrated development of manufacturing and service industry, the new business form is a new type of economy or industrial form produced by the mutual integration of the industry, which is market-oriented and centered on technology, application and model innovation. New industries are sectors and industries emerging with the application of emerging technologies, including strategic emerging industries. The most prominent feature of the "new" of new forms and industries is the progress of science and technology. At present, the new forms and industries vigorously developed by various regions include Internet finance, cloud computing, Internet of things, e-commerce, intelligent industrial robots, 3D printing, new energy vehicles, NTH party logistics, intelligent industries, aerospace and so on.

The research group believes that, according to the characteristics of strategic emerging industries, based on the actual situation of our province and the basis of science and technology, the present stage focuses on the cultivation and development of energy conservation and environmental protection, the new generation of information technology, intelligent technology, biotechnology, high-end equipment manufacturing, new energy, new materials, high-tech agriculture and other industries.

Secondly, FuJian provincial government should relax administrative monopoly and lower the threshold of industrial access. The difficulty of private investment access is highlighted in some traditional monopolized industries, such as basic industries and infrastructure, municipal facilities, social undertakings, financial services, commodity wholesale and logistics. Private enterprises hope to have a breakthrough in investment access.

Research group thinks, my province should continue to carry out the State Council in the round "non-public economy 36", loosen market access restriction further. In all industries and fields that access to private capital is not explicitly prohibited by laws and regulations, it is strictly forbidden to set any additional conditions for private investment. We will deepen the reform of the system for monopolizing industries, and clarify the specific ways in which private capital is allowed to enter related monopolized industries and fields. We should transform government functions, regulate government behavior, change the pre-regulation mode based on access regulations, and adopt in-process regulation based on normative behavior and post-regulation based on legal sanctions.

Thirdly, the provincial government should actively help solve the difficulties that private enterprises meet in reducing capacity and inventory. The research group believes that to further formulate relevant policies to help private enterprises in reducing capacity and inventory, it is necessary to optimize stock supply and promote the development of creative brands. We should also guide incremental supply and build new industries. We should also reduce low-end ineffective supply and promote optimal allocation of resources. In fact, the government should promote new technologies and equipment to help private enterprises shift their production capacity to meet market demand.

The research group believes that the provincial government will continue to intensify the research and development, promotion and application of intelligent manufacturing equipment, encourage research institutions to serve private enterprises, and transform the existing manufacturing resources of private enterprises into more agile, flexible and flexible intelligent manufacturing equipment.

According to the research group, enterprises with high scale, environmental protection standards and advanced production technology should be reasonably protected. Through macro-control by the government, the market should have a basic balance between supply and demand, and corporate profits should have a reasonable space, so that the issue of reducing capacity and inventory should be rationally viewed.

## **5. Conclusion**

In this paper, a research on the acceleration of supply-side structural reform in FuJian province was presented. Specifically, the current situation of Economic development in FuJian was introduced. In addition, the impact of the new normal of economic development on private enterprises. The problems of serious industrial overcapacity, overstock of real estate, poor international export environment and high corporate debt have been raised one by one. After in-depth investigation and analysis of the problems, the research team proposed corresponding solutions such as cultivating and developing new industries, relaxing the entry threshold of administrative monopoly industries, and helping private enterprises to solve the difficulties in reducing capacity and inventory.

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