

Cost-benefit analysis of government regulation reform in transition stage of Suifenhe bonded areas to free trade zone

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Abstract: Based on the current situation of government regulation, in this paper we demonstrate the existing problems of Suifenhe bonded area. Combined with bonded area to free trade zone upgrade trend, analyzes the cost-benefit of the regulation reform legislation and the regulation method by the experience of the Shanghai pilot free trade zone. Demonstrate the feasibility and necessity of the reform of government regulation, and put forward relevant countermeasures and suggestions.

1. Introduction

Suifenhe City has drafted and submitted the design plan of seeking to upgrade from the bonded area to the free trade zone. In August 2019, with the implementation of the "One Belt And One Road" and the deepening of the China-Russia strategic partnership of coordination, the free trade zone in Heilongjiang Province, including Harbin Heihe and Suifenhe, was officially established.

Free trade zone is the ultimate goal of the development of all bonded areas[1]. Although both free trade zone and bonded area are open carriers of economy, they are substantially different in function positioning, freedom of opening and regulation management of the zone. In view of China's adoption of a unified government regulation model for the existing bonded area, the study on the government regulation reform for the upgrading of Suifenhe bonded area can provide a reference for the efficiency of government regulation in the transition from in the transition from China's bonded area to free trade zone.

2. Analysis of government regulation in Suifenhe bonded area

China is lacking legislation on government regulation in bonded area. Although the State Council has issued relevant administrative orders for the development and management of bonded area, the legal level is relatively low. In contrast to the lack of authoritative regulatory basis, China also lacks regulatory subjects in the bonded area. At the central level, the administration of bonded area is dominated by the general administration of customs with the cooperation of other departments under the State Council. For example, the establishment of bonded area shall be approved by the State Council, but the construction execution unit shall be the local government and the customs. This kind of system causes each department to have the conflict to the bonded area regulation content mutually, the management and the implementation appear to act independently, affects the enterprise process and the bonded area long-term development.

3. Cost-benefit analysis of government regulation reform in transition stage of bonded area

3.1 Cost-benefit analysis of local governments

The cost of the new regulation method consists of direct cost and indirect cost. The direct cost, for example the negative list management as the cornerstone[2], includes capital consumption and labor cost of implementing regulations. Indirect cost is a new regulation methods in the process of implementation, the existing management structure and management at the beginning of the new regulation method facing due to the coordination between the various regulation level, regulation departments and personnel to understand and grasp the new system caused by the proficiency of

different regulation efficiency drops, and the regulation methods according to the specific situation of the bonded area are operations of the cost of the necessary adjustments. As long as the new regulation method is designed in accordance with the actual regulation needs of the bonded area, the regulation efficiency can not only recover to the pre-regulation reform, but even reach a higher level of regulation efficiency, which is also the ultimate goal of regulation reform.

In terms of the benefits of the regulation method reform, first of all, the local government regulation reform can better adapt to the trend of the bonded area to the free trade zone, further ensure the economic operation efficiency of the bonded area, and thereby drive the industrial construction and development of the bonded area and its surrounding zone, and promote the local economic growth. Secondly, government regulation reform and innovation in line with the trend of economic development are the responsibility of local governments, and appropriate regulatory reform behaviors can be supported by more financial subsidies from the central government to local governments.

3.2 Cost-benefit analysis of enterprises in bonded area

The cost borne by enterprises in the bonded area is mainly the material and human capital to be put into the reform of regulation methods. It also contains a part of the hidden cost of coordination within enterprises and between enterprises and regulatory departments to adapt to the regulatory policies after the reform.

By a series of policy implementation, Suifenhe bonded area significantly improved its level of economic development, import and export trade is 177 million dollars in Suifenhe bonded area in the first three quarters of 2017, up 41.08% [3]. Shanghai local government's legislative, executive and bonded operations have a common legal basis and institutional constraints with Suifenhe. As shown in Fig. 1 and Fig. 2, after the establishment of the Shanghai pilot free trade zone in 2013, the total volume of import and export trade and the contract amount of foreign direct investment in Shanghai have increased significantly since 2014 and maintained at a relatively high level (from 2015 to 2016, the exchange rate between the us dollar and the RMB increased significantly). It can be seen that the transformation of bonded area to free trade zone and the corresponding government regulation reform can significantly improve the economic benefits of enterprises in bonded area [4].

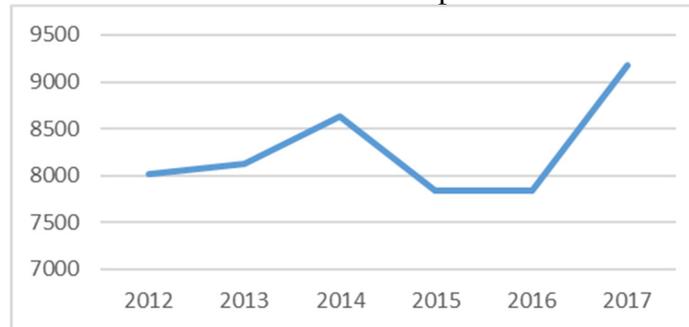


Fig. 1. Change trend of total import and export volume in Shanghai from 2012 to 2017 (unit: USD 100 million)

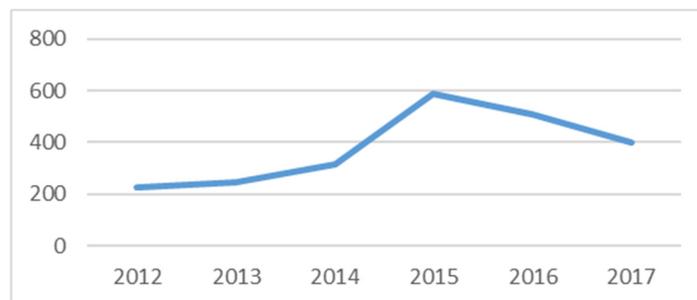


Fig. 2. Change trend of FDI contract amount in Shanghai from 2012 to 2017 (unit: USD 100 million)

4. Suggestions on government regulation reform in Suifenhe bonded areas

4.1 Clarify the relationship between the regulatory subjects by legislate

The current government regulation mode in Suifenhe bonded areas is conducted in parallel by the committee under the local government and the State Council. In order to avoid the problems of regulation efficiency loss such as repeated regulation and regulation dead zone among various regulatory subjects. It is necessary for the central government to clarify the scope of regulation function of each regulatory subject through legislation, determine which regulatory department is mainly responsible for specific matters, and how other regulatory departments should cooperate. This is very necessary for the transformation from bonded areas to free trade zone in the face of the strengthening of functions, a variety of operating methods, tax reform, capital liquidity changes and other conditions.

4.2 Establish efficient error correction system

The central government's macro-regulation policy is based on the general development law of China's Bonded areas, while Suifenhe, as China's largest trade port with Russia, has its own particularity of development. This requires the local government to integrate the regulation policies of various government regulation subjects in the bonded areas by legislate. In the process, in order to prevent all regulatory departments for the sake of achievements and avoid the risk of policy to hide the problems existing, the local government should encourage "trial and error", "correction", and "the task of regulation department regulation". Accomplish afterwards supervision system and beforehand risk early warning and prevention.

4.3 Coordinate the relationship between regulatory subject and object

The reform of government regulation method is realized through the joint action of central government policy implementation and regulation object's feedback to policy. How to flexibly and quickly coordinate the relationship between the regulatory subject and the regulatory object is the key to the local government's regulatory method reform and the key to the smooth transformation and upgrading of Suifenhe bonded areas to the free trade zone.

5. Conclusion

In this paper, we demonstrate the important role of government regulation reform in the development of free trade zone by the experience of Shanghai pilot free trade zone. And then we summarized the upgrade path of Suifenhe bonded area. The precondition to realize efficiency in this process is to establish appropriate government regulation system. The realization of the efficiency of government regulation should consider the cost-benefit of both the subject and the object of regulation. This is not only a matter to be considered in legislation, but also a requirement for the using of government functions.

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