

# Research on Development Countermeasures of Textile and Garment Trade in Shaanxi Province under the Background of Shaanxi Free Trade Zone Construction

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## ABSTRACT

Under the one background of "one belt, one road" development, in order to conform to the economic development situation, we will promote our foreign trade. Our government has accelerated the implementation of the regional Development strategy. Shaanxi garment and textile enterprises are China's traditional industries. In order to promote the economic development of Northwest China and solve the foreign trade problems of Northwest China. Firstly, this paper introduces the development background and construction of Northwest Free Trade Zone in China. By searching relevant data, this paper analyzes the foreign trade of textile and clothing in Shaanxi Free Trade Zone in recent years, establishes various charts, reflects the import and export situation of Shaanxi free trade zone this year, and explores the factors behind the foreign trade of Shaanxi Province, This paper analyzes the competitiveness of textile products in Shaanxi Free Trade Zone, analyzes the index effect of competitiveness between Shaanxi free trade zone and other countries through the competitive index effect, establishes an empirical analysis model, points out the problems existing in Shaanxi's foreign textile and garment import and export trade, and puts forward the corresponding solutions.

**Keywords:** *empirical analysis; The Belt and Road Initiative Exponential effect; competitive power introduction*

## 1. INTRODUCTION

With the development of economic globalization, the process of regional integration has accelerated. Shaanxi free trade zone is the third batch of free trade pilot zones approved by the CPC Central Committee and the State Council. It is the only free trade pilot zone in Northwest China. The free trade zone in Shaanxi has a large scale. The trade zone covers an area of 119 square kilometers and the Xi'an free trade zone covers an area of 0.36 square kilometers. One belt, one road, one belt, one road to Shaanxi, is to promote the transformation of government functions, deepen investment in the field, promote trade transformation and upgrading, deepen the opening up of financial sector, expand economic and trade cooperation with all along the belt, and create a new mode of "Humanities and communication" along the "one belt and one road" line. The establishment of the trade zone means that Shaanxi's participation in international trade cooperation has entered a new stage of development.

Shaanxi has realized the development of free trade in goods, services and investment trade.

In 2016, the State Council approved the establishment of the third batch of China's pilot free trade zones in Shaanxi, which was completed and put into operation in 2017. After three years of development, Shaanxi free trade zone has a certain scale and is an important free trade zone in Northwest China. According to relevant trade agreements, the trade zone has been officially put into operation. Since 2017, the development of Shaanxi trade zone has entered a new era. Overall, Shaanxi free trade zone has experienced three development stages.[1]

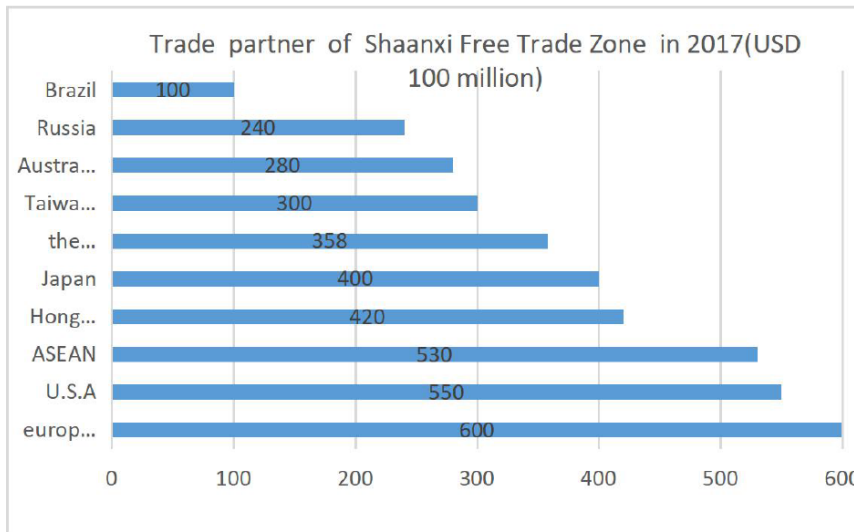
The establishment of one belt, one road to Shaanxi, is of positive significance to the promotion of Shaanxi's participation in world trade. The purpose of the Shaanxi free trade zone is to implement the requirements of the Central Committee on the development of the "one belt and one way" construction for the western development and the city's opening up in the western region. It is a

comprehensive deepening reform that is in line with the new trend and is a move towards the western development. The first stage was one belt, one road development plan, which was put forward in 2014 to 2016.

**2. CURRENT SITUATION OF TEXTILE AND GARMENT TRADE IN SHAANXI FREE TRADE ZONE**

Since the establishment of Shaanxi Free Trade Zone, bilateral trade has developed rapidly. In 2017, the proportion of foreign trade transactions between Shaanxi free trade zone and other countries was as high as 11.2%.[2] Shaanxi free trade zone has become an

important pilot project of Trade Zone in China. According to the data of national commodity transactions, figure 2 summarizes the changes of import and export trade volume of Shaanxi over time in the past three years. It can be seen from these data that the import and export trade volume of Shaanxi free trade zone is constantly changing with practice. In 2020, the export volume of Shaanxi free trade zone will be US \$12.3 billion and the import volume will be US \$12.8 billion; Since the establishment of the free trade zone four years ago, the export volume of Shaanxi free trade zone has reached US \$30 billion and the total import volume is US \$28 billion. In these three years, the export growth rate of Shaanxi to countries around the world was close to 156%, and the import growth rate also reached 95%.



**Figure 1** top ten international trading partners of Shaanxi in 2017

Data source: according to the statistics of the General Administration of customs

**3. ANALYSIS ON THE TOTAL AMOUNT AND STRUCTURE OF CLOTHING TRADE IN SHAANXI**

**3.1 changes in Shaanxi's total garment trade**

It can be seen from the data in the above table that the RCA index of Shaanxi exceeds 2.5, indicating that the commodities exported by Shaanxi trade zone have strong market competitiveness. In comparison, the RCA index of Vietnam and other regions is much higher than that of China, showing strong competitive advantage. In addition, in 2018, the RCA index of the Philippines also exceeded 1, but finally remained at 1, indicating that in the early stage, Philippine textile products also had a strong competitive advantage, but later, this advantage was significantly weakened.

empirical analysis of intra industry trade index of Shaanxi garment industry based on G-L data

In 1975, the international intra industry trade once pointed out to use G-L data to carry out empirical analysis on intra industry trade. This trade index is the most widely used in the industry. Its formula is:

$$GL_i = 1 - \frac{|X_i - M_i|}{(X_i + M_i)}$$

In this formula, it represents the export volume of a country and the import volume of country I.

Next, we will calculate the industry trade index between Shaanxi free trade zone and other regions according to this index, which represents the trade volume of textile and garment products in Shaanxi free trade zone and the garment trade import volume of other countries received by Shaanxi free trade zone. The G-L index limits its value range to [0,1] and sets 0.5 as the boundary. When the index is less than 0.5, it means that the level of intra industry trade is low, and if it is greater than 0.5, it means that the intra industry trade is relatively developed.

**Table 1** G-L index of textile and garment trade in Shaanxi free trade zone and other regions

Time	Singapore	Malaysia	Thailand	Indonesia	Vietnam	thePhilippines
2017	0.06	0.30	0.82	0.47	0.12	0.08
2018	0.03	0.21	0.65	0.27	0.13	0.58
2019	0.02	0.15	0.64	0.25	0.25	0.12
2020	0.02	0.13	0.49	0.22	0.27	0.13

Data source: according to China trade database

From the analysis of the data in the above table, it can be seen that the textile trade level between Shaanxi and ASEAN is low. Although the overall textile and garment trade in Shaanxi is slightly higher than that in Thailand, the G-L index shows that the trade level of both sides is also gradually declining. By 2020, the textile and garment trade index between Shaanxi and other regions is below 0.5. The two sides have not seen the trade trend within the industry in terms of trade structure. Through the analysis, we can know that the textile and garment trade between Shaanxi and other countries and the trade in other regions have not formed a product oriented multilateral trade trend.

#### **4. ANALYSIS ON THE FACILITATION OF GARMENT TRADE IN SHAANXI**

##### ***4.1 Introduction to trade facilitation***

Trade facilitation is constantly developing, world trade barriers and restrictions are decreasing, and the opening-up of various regions is increasing. Today, with the continuous development of Global trade, trade inefficiency has attracted the attention of all countries in the world. For many years, international governments have been committed to reducing trade costs and promoting international capital flows. Trade facilitation has become an important part of global economic and trade cooperation.

#### **5. RESEARCH ON COUNTERMEASURES OF SHAANXI TEXTILE TRADE**

##### ***5.1 make full use of preferential trade policies of Shaanxi Free Trade Zone***

With the continuous expansion of free trade in Shaanxi, the tariff trade agreement has effectively promoted the development of textile and garment trade. Since the establishment of Shaanxi Free Trade Zone, the amount of textile and garment trade in Northwest China has been increasing. As can be seen from the above, the free trade zone in Shaanxi has been established for a short time, and the textile and garment trade is underdeveloped compared with some countries in Southeast Asia. Therefore, China's Shaanxi free trade zone still has a

large development space. Domestic and foreign enterprises should make better use of the preferential policies of the free trade zone to expand the trade scale.

##### ***5.2 promote the further development of trade facilitation***

It can be seen from the calculation of trade facilitation based on the above data that, sorry for Singapore and Malaysia, the trade facilitation level of Shaanxi free trade zone is low. Countries all over the world should take further measures to promote the trade facilitation of Shaanxi Free Trade Zone in China as a whole. Therefore, China needs to speed up infrastructure construction and improve customs clearance rate. The importance of infrastructure construction to trade development is self-evident. At present, the economic and trade infrastructure between Shaanxi free trade zone and other countries in the world needs to be further improved, and the construction of modern port and highway facilities needs to be strengthened. The second is to develop modern information technology and fully develop e-commerce technology. E-commerce can improve the level of trade facilitation to a certain extent, make effective use of information technology, reduce each other's transaction costs and increase trade exchanges between countries. The third is to improve the construction of various systems. The government should formulate reasonable policies and communicate and negotiate with industry associations; At the same time, in order to avoid information asymmetry, the government should strengthen the publicity of relevant policies and popularize relevant knowledge. Fourth, actively promote the cooperation of Chinese enterprises in trade facilitation. Shaanxi free trade zone has carried out trade exchanges with other countries and regions, which can learn from the experience of trade facilitation in other regions and improve the development level of trade facilitation.

#### **6. CONCLUSION**

One belt, one road construction, the Shaanxi government's free trade area is a great strategic measure to promote the development of the western region and promote the development of the western region. Textile

and garment enterprises are typical labor-intensive enterprises in China. In recent years, the import and export scale of China's textile and garment export enterprises has been increasing, which has promoted the development of foreign trade in Northwest China. However, textile and garment enterprises are typical labor-intensive enterprises. Chinese enterprises need to change the original production mode and improve the added value of products, in this way, the textile and garment enterprises in Shaanxi free trade zone will achieve long-term development.

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