

# *Study on Trade Facilitation in Zhengzhou Area of Henan Province Free Trade Zone*

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**Abstract:** In recent years, with the deepening of economic globalization, the international trade flow is more frequent, and the construction of the free trade zone bears an important responsibility for the development of regional economy. As a pilot zone of trade facilitation development and reform in central China, Zhengzhou Area has taken various trade facilitation reform measures in order, and the degree of trade facilitation is also developing rapidly. However, there are still some problems, such as imperfect Internet services, low customs clearance efficiency, imperfect policy environment, and lack of professional talents. Therefore, in order to enhance the trade facilitation degree of the free trade zone, we should improve the independent innovation ability, optimize the customs clearance efficiency, improve the policy environment, and improve the level of customs professionals, so as to promote the development process of trade facilitation in Zhengzhou area of Henan Free Trade Zone, and help the high-quality development of trade import and export in Henan Province.

## **1. Status and Evaluation of Trade Facilitation in Zhengzhou Area of Henan Free Trade Zone**

### **1.1. Current Situation of Trade Facilitation Development in Zhengzhou Area**

Since the establishment of Zhengzhou Area of Henan Province Free Trade Zone in 2017, Zhengzhou has been connected with roads, high-speed railways and airports, and the advantages of logistics mode and transportation mode under the new development situation have been fully reflected. In order to promote the high-level and high-quality rapid development of export-oriented economy, Zhengzhou Free Trade Zone is constantly carrying out economic reform and institutional innovation in the free trade zone.

#### **1.1.1. Foreign Trade Import and Export Volume**

Based on the statistical results of the import and export quota of Zhengzhou area of Henan Provincial Free Trade Zone from 2018 to 2021, the total import and export volume decreased by 1 billion US dollars in 2019, but the overall upward trend was shown, and the import and export trade volume increased significantly in 2021. In 2021, in the face of the severe and complex situation of

COVID-19 and seven heavy rains, Zhengzhou Free Trade Zone grasped the difficulties ahead and promoted the import and export volume to a new height [1]. In 2021, the total export volume of Zhengzhou reached 67.69 billion US dollars, an increase of 16.41 billion US dollars over the same period last year, or 32%, ranking the 12th in China. Imports were 46.09 billion US dollars, an increase of 10.65 billion US dollars and a US dollar increase of 29.2% over the same period last year, ranking 16th in the country. The total imports and exports totaled us \$113.79 billion, up us \$27.07 billion or 30.9% from the same period in 2020, ranking 14th in China.

In 2021, 16,000 new enterprises will be added, actual foreign investment will reach us \$1.3 billion, new investment will be 50 billion yuan, and foreign trade imports and exports will reach 40 billion yuan. Cross-border e-commerce transactions reached 109.247 billion yuan, up 17.4% year on year. Sea-rail intermodal transportation to and dispatch 17,930 TEU, up 18.6% year on year. In addition, the grain port business covered 8 categories in 10 countries, and the import scale exceeded 140,000 tons, and the trade volume doubled by us \$67.5 million.

In general, in 2020, Zhengzhou area will implement the cross-border e-commerce retail import and return center warehouse mode, and implement the fire safety license facilitation measures. In 2021, Zhengzhou area will deepen the reform and implement the detailed separation measures of licenses and licenses. These trade facilitation reform measures effectively promote the increase of foreign trade import and export quota in Zhengzhou area [2]. As can be seen from the above data, it can be seen that the overall trade quota of Zhengzhou is becoming an increasing trend, but the trade development of Zhengzhou has few imports and more exports, which reflects that the internal economic power development of Zhengzhou is not perfect, and further reform is needed.

### **1.1.2. Business Environment**

Since the establishment of Zhengzhou Free Trade Zone, in order to improve the development of trade facilitation in Zhengzhou area, it has attracted a number of high-quality enterprises to settle in Zhengzhou through the reform of the business environment. In the initial stage of enterprise settlement, we will promote the implementation of the innovative mode of cluster registration and service synchronization, and the start of land acquisition, implement the policy of separating licenses and licenses in the business field, and promote the implementation of the services of Zhengkai-city and free trade office.

Since the establishment of the Free Trade Zone, Zhengzhou area has registered 378 foreign enterprises and 2,273 foreign trade enterprises registered, with the total registered scale of more than 80,000, an increase of 3.7 times compared with before the establishment of the free trade zone. Among them, there are 115 fortune 500 companies, including Sumitomo, Alibaba and Libao Insurance. In 2021, 69 newly established foreign-funded enterprises were established in Zhengzhou area, with a year-on-year growth of 32.7%. The actual utilization of foreign capital was 1.301 billion US dollars, up 13.3% year on year. The import and export of foreign trade exceeded 40 billion yuan, up 60% year on year. While attracting enterprises to settle in Zhengzhou, Zhengzhou area attaches great importance to the high-quality development of pillar industries, among which the production scale of high-end manufacturing industry exceeded 60 billion yuan, the growth value of the financial industry reached 40 billion yuan, and the logistics industry exceeded 200 billion yuan.

In general, the business environment in Zhengzhou is improving step by step, but due to the high attention paid to the development of pillar industries and large enterprises, small and medium-sized enterprises lack the ability to resist risks due to the lack of funds.

### **1.1.3. Transportation and Geographical Advantages**

Zhengzhou city is located in the North China Plain area, and is the provincial capital city of

Henan Province. It is an important city connecting the north and south of China. Railway, highway and aviation constitute a convenient, comprehensive and three-dimensional transportation hub. Zhengzhou railway is located at the hub of Beijing-Guangzhou railway and Longhai railway. The four-way developed transportation network carries the largest railway container freight transportation in China, and it is also the largest train marshalling station in Asia. The Zhengzhou to Europe freight train covers three-quarters of China's provinces, covering more than 30 countries, including Europe and Russia. China and Europe send 18 trains to Europe every week, return 16 trains to China, and stop at multiple stops to unload and load the goods. The cargo capacity and cargo rate have always been at a high level. In 2020, there were 1,126 China-Europe freight trains operating, with a weight of 714,900 tons and a cargo value of 4.277 billion US dollars, up 13%, 31.4% and 26.5% year on year. In 2021, Zhengzhou China-Europe freight trains left for 2002 trains, and the value of the goods reached 7.503 billion US dollars, up 74.04% year on year. Within two hours, Zhengzhou high-speed railway can radiate the surrounding 500 kilometers around it, drive the flow of 408 million people, reduce the passage time, and effectively drive the rapid economic development of the surrounding cities. Zhengzhou Xinzheng International Airport, one of China's eight aviation hubs in China, is the fifth largest cargo airport in China, with 175 domestic and foreign aviation cities and regions, and 245 passenger and cargo transport routes. Aircraft cover three-quarters of the country within two hours of takeoff, driving 90% of the country's population. During the severe epidemic situation at home and abroad, Zhengzhou International Airport has been guaranteeing international cargo routes without suspension and uninterrupted transportation, which is the air Silk Road of international air logistics in central China [3]. At present, Zhengzhou's railway, highway and airport have formed an interconnected transportation system.

## **1.2. Development Status of Customs Clearance and Trade Facilitation in Zhengzhou area**

### **1.2.1. Regional Economic Comprehensive Cooperative Partnership**

The RCEP is a regional economic cooperation agreement jointly initiated by the 10 ASEAN countries. The RECP is formed by China, South Korea, and more than a dozen other countries to lower tariffs. The region's Economic Partnership Agreement is the largest and most populous free trade agreement in the world.

In order to further improve the level of customs clearance facilitation, Zhengzhou Area of Henan Provincial Free Trade Zone will actively implement the RCEP Agreement [4]. In order to further improve the level of customs clearance facilitation for enterprises, and to respect the independent will of enterprises, the Zhengzhou Free Trade Zone has actively promoted the policy reform of early declaration and two-step declaration policy. Zhengzhou Customs adopts electronic documents for most of the documents required for customs clearance, which can effectively manage the documents, shorten the import and export customs clearance time of the whole enterprise, and reduce the customs clearance costs. In order to improve the competitiveness of enterprises, Zhengzhou Customs provides one-to-one guidance to foreign trade enterprises, trains enterprises to legally use RCEP agreement when import and export, and organizes enterprises to learn anti-dumping, countervailing and other free trade policies, to maintain and guarantee their own enterprise safety.

The 2022 RCEP Agreement came into effect at Zhengzhou Customs for more than three months, expanding the export scale of machinery, agricultural products, parts and other products in Zhengzhou Free Trade Zone, and also enjoying PRCEP dividends in imported metal raw materials, textile raw materials and other products. Enterprises in Henan province declared the import and export goods through Zhengzhou Customs, enjoying the value of 470 million yuan [5]. A total of 180 enterprises enjoyed the import and export tariff reduction of 2.042 million yuan. Among them, the tariff on copper products was reduced from 2% to 0 this year, saving a lot of costs for the

Zhengzhou manufacturing industry.

In general, the RCEP agreement enables individual industries in Zhengzhou Free Trade Zone to enjoy the facilitation results brought by tariff reduction. Although Zhengzhou area has joined the RCEP agreement, it is currently in the initial stage, and the supporting facilities and professional personnel are not comprehensive enough.

### **1.2.2. Digitization of Customs Clearance**

Traditional customs declaration services include customs clearance, inspection, tax and foreign exchange, and each link is closely linked. Due to many links and complicated processes, mistakes in any one link will affect the efficiency of the whole customs clearance process. The impact of COVID-19 in 2020 will further amplify the shortcomings of the customs declaration process.

After the implementation of Internet+Customs, Zhengzhou Customs actively relies on Zhengzhou National Big Data Comprehensive Pilot Zone and its transportation advantages to continuously accelerate the construction of digital infrastructure and information facilities. With the help of big data and artificial intelligence, Zhengzhou Customs arranges and classifies customs declaration, billing, settlement and other links to reduce the error rate [6]. The customs system can match the optimal customs clearance port through the different characteristics of the goods, and realize the flexible customs clearance at multiple ports. Digitization of customs clearance can help import and export enterprises to accurately implement customs clearance declaration, reduce the communication in intermediate links, reduce the error rate, reduce the operating costs of enterprises, improve the customs clearance efficiency of import and export enterprises, and promote the high-quality development of import and export trade in Zhengzhou. These improvement measures reduced the import time of Zhengzhou Customs to 39.8 hours and the export time to 1.3 hours in 2021. Compared with 2017, the import time was reduced by 62.3% and the export time by 82.4%.

In general, since the implementation of Internet+customs in Zhengzhou area, the customs clearance time has been significantly reduced. However, the 5G infrastructure and data processing capacity of Zhengzhou are relatively limited, so the real-time data analysis of customs clearance cannot be timely, which has a certain delay. Moreover, the customs clearance time is extremely compressed in the policy. In order to improve the efficiency, the staff's data and information sorting is not perfect.

### **1.3. Comparison and Evaluation of Trade Facilitation Level between Zhengzhou Area and Guangdong Province**

Guangdong province is China's largest foreign trade province. In 2021, Guangdong province exported 5.05 trillion yuan, imported 3.22 trillion yuan, and had a total import and export volume of 8.27 trillion yuan, up 16.2%, 17.4% and 16.7% over 2020. In the face of the complex situation of the epidemic, Guangdong province has built a distribution center for import goods, a demonstration zone for import trade innovation, and taken innovative measures to facilitate customs clearance and settlement. Promote online verification of documents between major trading partners, while ensuring that information is not leaked. The implementation of a single window reuse of enterprise application data, enterprise employment data reduced by 31 items. In aviation logistics, the public information platform should be implemented to gradually promote the cooperation of logistics information sharing. In terms of customs clearance facilitation, to promote the completion of foreign trade goods online port customs clearance procedures. At present, the first port of Guangdong Greater Bay Area covers major cities in the Pearl River Delta. The integration of shipping and logistics makes the interconnection and coordinated development of the port areas.

In 2022, Zhengzhou will continue to deepen the reform of the separation of licenses and

strengthen the whitelist management system. In 2022, rail-sea combined transport containers will start from Zhengzhou to Jiangsu, radiating international and domestic multimodal transport is expanded, promote the high-quality development of Zhengzhou, and promote the international and domestic double cycle.

In general, the transportation advantages of railway, highway and aviation in Zhengzhou are more convenient. However, the Zhengzhou area is far away from the coast, and the transportation cost needs to be further reduced through rail and sea combined transportation. But the whole transportation procedures are complicated, the circulation speed of goods is slow, and the process is extremely constant [7]. In terms of customs clearance facilitation, we need to expand the document network verification between partners, deepen connectivity and develop coordinated development platforms.

## **2. Problems Existing in Customs Clearance and Trade Facilitation in Zhengzhou Area of Henan Provincial Free Trade Zone**

### **2.1. Imperfect Internet Services**

In 2019, the total number of Internet users in the province has exceeded 110 million, reaching 91.3 percent. Due to the large number of people on the Internet, the amount of data carried is also huge, and the data processing is lacking in the implementation of digital reform. Since the implementation of Internet+service by Zhengzhou Customs, Zhengzhou Free Trade Zone has had a good Internet foundation and realized government data sharing and convenient management. However, due to the huge amount of information to collect and process in Zhengzhou area in trade, and the policy requirements for the reduction of customs clearance time, some data collection is not perfect.

### **2.2. Low Customs Clearance Efficiency**

Under the reform measures of digital customs clearance, although the customs clearance is more convenient, all departments of Zhengzhou Free Trade Zone extremely compress the customs clearance time and improve the efficiency. Under the pressure of layers of assessment, various customs clearance departments fine-tune policies, and even delete data to reduce the customs clearance time. In the declaration, the customs declaration company usually acts as the agent, and the information conveys the information between the customs clearance port and the freight forwarding territory. However, when the goods have problems, the customs clearance site lacks contact channels and cannot effectively communicate with the cargo owner. These factors will affect the customs clearance efficiency and increase the cost. The document network verification between Zhengzhou Free Trade Zone and major trading partners is not perfect enough, resulting in low customs clearance efficiency.

### **2.3. Imperfect Policy Environment**

In 2018, Zhengzhou area will implement the supervision mode of credit visa of certificate of origin. In 2019, in terms of cross-border e-commerce retail import, the new situation of QR code license information and positive supervision was implemented. The notification and commitment system, the fire safety permit facilitation measures and the cross-border e-commerce retail import and return center warehouse mode will reduce the customs clearance time, improve the efficiency of goods customs clearance, and attract a number of excellent enterprises to settle down in Zhengzhou Free Trade Zone<sup>[8]</sup>. At the same time, in order to better understand the implementation



degree of relevant policies and measures, Zhengzhou city actively accepts the information of various media platforms. Although the business environment in Zhengzhou area is improving step by step, small and medium-sized enterprises lack the ability to resist risks due to excessive attention to the development of pillar industries and large enterprises. In the reply to the enterprise problem has a certain delay, can not timely communicate with the enterprise. Finally, the release of information in the information execution and disclosure is not sound, resulting in the lack of judgment of enterprises.

## **2.4. Lack of Professionals**

Talent is the capital of the future competitiveness of domestic and international free trade zones. At present, Zhengzhou free trade zone is undergoing digital information reform and began to implement regional economic cooperation agreement, these reform measures need more customs professional talents, the traditional talent training and lack of targeted training mode, difficult to maintain Zhengzhou free trade zone, and Zhengzhou free trade zone has not introduced cooperation with colleges and universities to cultivate applied talents policy. Due to the stability of work remuneration, the customs personnel in Henan Free Trade Zone are lazy, lack of sense of competition and lack of innovation ability. Talent is the capital of the competitiveness of domestic and international free trade zones in the future. For the further development of Zhengzhou Free Trade Zone, it cannot be separated from the participation of excellent talents and the cultivation of professional compound talents.

## **3. Development Strategy of Customs Clearance and Trade Facilitation in Zhengzhou Area of Henan Provincial Free Trade Zone**

### **3.1. Improve the Ability of Independent Innovation**

Innovation has become a major support for trade facilitation. At present, the digital customs clearance of Zhengzhou Free Trade Zone is accelerating its development, and the data and information platform is used to realize the interconnection of customs clearance. First of all, information needs to be integrated and managed among various customs clearance departments in Zhengzhou and shared with other government departments. Secondly, Zhengzhou Free Trade Zone should strengthen information sharing with coastal port cities, break down information barriers with port cities, and expand the channels of information acquisition [9]. Finally, facing the actual needs of the customs clearance system, it is necessary to accelerate the breakthrough and innovation of data technology to ensure the continuous operation of the system and ensure the smooth progress of the customs clearance business.

### **3.2. Optimize Customs Clearance Efficiency**

The declaration process time of goods in the import and export process is too long, which will affect the customs clearance time and cost of goods. For this declaration process, the pre-ruling business can be optimized, and enterprises can effectively solve the classification problem of origin and destination through advance declaration and classification code. Therefore, the import and export costs of goods can be estimated in advance, reduce risks, improve the efficiency of customs clearance of goods, and clearly involve tax and other issues. In addition, in terms of supervision, the customs offices in countries and regions along the China-Europe freight train can use unified supervision and identification tools to realize information exchange and fast customs clearance. Finally, while simplifying the customs clearance process, the customs should also strengthen the

statistics of follow-up supervision data and strengthen the post-supervision.

### 3.3. Improve the Policy Environment

A better business environment requires sound laws and systems, and should also take into account the practicality of enterprises. Zhengzhou Free Trade Zone is located in the central part of China, mainly dominated by agriculture, far away from the sea, with no port advantages, nor more national policy support. Therefore, in order to give full play to the role of Zhengzhou Free Trade Zone in driving the economy of Zhengzhou, first of all, we should formulate a regular tariff collection system to ensure that foreign trade enterprises in Zhengzhou Free Trade Zone can effectively enjoy tax incentives, promote domestic and foreign enterprises to invest, and can effectively solve the surplus labor force. Secondly, the feedback mechanism should be further improved. Relevant enterprises can feedback their most concerned demands through the official public accounts, the government official websites and other platforms, and the government can effectively formulate policies in line with the interests of enterprises according to the demands of enterprises. Finally, it is necessary to standardize the behavior of the customs departments, strengthen the improvement of the customs anti-corruption mechanism, curb the acceptance of bribery, and create a fair and just policy environment [10]. These policies and measures can promote the development of trade facilitation in Zhengzhou area to a certain extent.

### 3.4. Improve the Level of Customs Professionals

In the new trade situation, the customs clearance is becoming more and more professional and intelligent, which requires the customs personnel to have strong professional skills and learn the new ideas. At present, the development of regional economic cooperation in Zhengzhou Free Trade Zone requires customs personnel to learn the content of the agreement and adapt to the new rules and regulations. In order to correctly and effectively perform their work responsibilities, it is necessary to establish a perfect talent training system, strengthen the theoretical and practical training of employees, in order to improve their professional skills. Zhengzhou Customs also needs to speed up the introduction of talents, attract a group of college students combined with practice and theory of new development ideas, and cultivate a group of innovative talents. If Zhengzhou Free Trade Zone wants to further develop, it cannot be separated from the participation of excellent talents, as well as the cultivation of professional compound talents.

## 4. Conclusions

Zhengzhou free trade zone has developed rapidly in recent years, but there are still shortcomings and limitations. Zhengzhou area should improve its ability of independent innovation, optimize the efficiency of customs clearance, improve the policy environment and improve the level of customs professionals, so as to promote the development process of trade facilitation in Zhengzhou area and help the high quality development of trade import and export in Henan province.

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