

# Analysis of the Financial Deepening Current Situation of Heilongjiang Free Trade Zone

Yihan Chai<sup>1,2</sup>, Shuren Wang<sup>3</sup>

<sup>1</sup>Business School, University of Aberdeen, Aberdeen, UK

<sup>2</sup>International Business College, South China Normal University, Guangzhou, China

<sup>3</sup>School of Economics and Management, Northeast Agricultural University, Harbin, China

Email: chaifangying@126.com

**How to cite this paper:** Chai, Y. H., & Wang, S. R. (2022). Analysis of the Financial Deepening Current Situation of Heilongjiang Free Trade Zone. *Journal of Financial Risk Management*, 11, 204-219. <https://doi.org/10.4236/jfrm.2022.111010>

**Received:** February 14, 2022

**Accepted:** March 14, 2022

**Published:** March 17, 2022

Copyright © 2022 by author(s) and Scientific Research Publishing Inc. This work is licensed under the Creative Commons Attribution International License (CC BY 4.0).

<http://creativecommons.org/licenses/by/4.0/>



Open Access

## Abstract

This paper first summarizes the development basis of Heilongjiang Free Trade Zone from the two aspects of optimal strategy and foreign trade, introduces the geographical environment and enterprise situation of Heilongjiang Free Trade Zone, and describes the main development focus of Harbin area, Heihe area and Suifenhe area. Among them, Harbin area focuses on system innovation, Heihe area focuses on cross-border e-commerce, and Suifenhe area focuses on developing Sino-Russian mutual trade. At the same time, summarize the basic situation of Heilongjiang financial market and Sino-Russian mutual trade. At present, Sino-Russian trade is developing well, but there are also some problems, such as Russia's trade barriers. Secondly, from the perspective of policy support, the financial deepening situation of Heilongjiang Free Trade Zone is sorted out, mainly from the People's Bank of China, State Administration of Foreign Exchange, China Credit Insurance Company and commercial banks to interpret the orientation of policies. Finally, by combining theory with practice, this paper analyzes the path of financial deepening in Heilongjiang Free Trade Zone affecting industrial transformation, fiscal revenue, trade and investment.

## Keywords

Financial Deepening, Free Trade Zone, The Foreign Trade

## 1. The Heilongjiang Free Trade Zone Is the Foundation for Deepening Financial Development

### 1.1. Optimal Strategy

At present, scholars have a broad definition of financial deepening. In this pa-

per, financial deepening is defined as the process of the government gradually liberalizing financial control. These include the control of overseas capital flows, the control of access to overseas financial institutions, the control of the stock fund market, and the participation of domestic market participants in the international market (Bernhard & Helmut, 1993). The performance includes but is not limited to reducing the financial restrictions on enterprises and customs, easing the regulation of the capital flow of enterprises, innovating financial services, etc. It can be seen that the financial deepening process can also be said to be a gradual process from financial control to financial liberalization. Since China's reform and opening up, actively involved in the financial system reform, strengthen the domestic market supervision system, improve the market operation mechanism, with certain financial deepening conditions, currently actively explore moderate financial deepening road, by attracting foreign inflow, promote the transformation of domestic economic structure, social consumption development, use international capital, promote the prosperity of China's economic development. Heilongjiang has actively followed up the footsteps of China's big policy and direction, and devoted itself to the team of exploring industrial transformation and exploring a new blue ocean of economy. The deepening of finance in Heilongjiang Free Trade Zone has brought a series of positive effects, which light a beacon for Heilongjiang to seek a breakthrough.

Since 2010, China has experienced continuous optimal strategy opportunities for opening up to the outside world (Juan, 1994). Based on these opportunities, Heilongjiang province creatively put forward the idea of "Heilongjiang Land and Sea Silk Road Economic Belt" in 2013, focusing on the characteristics of the province, and hoping to open up the economic breakthrough point. In March 2015, the concept was included in the "One Belt And One Road" China-Mongolia-Russia Economic Corridor Plan (Sunanda, 1996). Heilongjiang Province has formed a double freight channel between sea and land, with Harbin city as the center, radiating to Vladivostok port, Dalian port and other places. We will simultaneously develop comprehensive bonded zones, China-Russia trade zones and other special trade zones. In 2019, the Heilongjiang Free Trade Zone came into being.

China (Heilongjiang) Free Trade Zone (China (Heilongjiang) Pilot Free Trade-Zone), hereinafter referred to as Heilongjiang Free Trade Zone, is located in Heilongjiang Province, with a total implementation area of 119.85 square kilometers, and is divided into three areas: Harbin Area, Heihe Area and Suifenhe Area. Among them, Harbin area is 79.86 square kilometers, located in the west of Harbin city, including Songbei District and Limin Development Zone. The Heihe area, totaling 20 square kilometers, is located in the east of the Heihe city, bordering Russia. Suifenhe area is 19.99 square kilometers, located northeast of Suifenhe city, and also borders Russia. By September 2019, 4855 new enterprises had been established in the Heilongjiang Free Trade Zone, with an investment of

more than 80 billion yuan.

As shown in **Tables 1-3** below, the summary is the economic conditions of the three urban areas of Heilongjiang Provincial Free Trade Zone from 2017-2019 (Cao & Zhang, 2019). It can be seen from the **Tables 1-3** that the stock indexes and per capita indexes in Harbin Area in the table are significantly higher than those of Heihe Area and Suifenhe Area. The stock indexes in Suifenhe Area are significantly lower than that of Harbin Area and Heihe Area, and the per capita indexes in Heihe Area are slightly lower than that of Harbin Area and Suifenhe Area. **Tables 1-3**, which represent the data from 2017 to 2019, shows the same conclusion as above. From the data can also be analyzed, Harbin as the capital of Heilongjiang province, has natural economic advantages and geographical advantages, Harbin area as the largest, the largest Heilongjiang free trade area, is not only the top priority of Heilongjiang free trade area development, and the cornerstone of other area development, with the help of Harbin more mature financial system and social structure, provide multiple subsequent guarantee for other areas. Heihe city and Suifenhe city mainly relying on the port city geographical advantage, Suifenhe area is limited by a small area, less urban population, although the stock index is low, but per capita index is in the forefront in the province, such as nearly three years of urban residents per capita disposable income and rural residents per capita disposable income and so on. Its main task is to develop customs characteristics, to introduce Russian products and business opportunities to Heilongjiang region, at the same time with a variety of characteristic innovation services, such as Russian goods retroactive service platform, etc., will not only focus on Russian natural resources introduction and enterprises, the light industry to develop Russia, Russian food and other Russian goods, will Suifenhe brand, bright. At present, a mature cross-border e-commerce model has been developed in the Heihe area, but the reduction of the per capita index shows that the cross-border e-commerce model can still be improved. The Heihe area still needs to put forward innovative and reform policies from the aspects of customs entry procedures, product types and so on.

On the basis of their own characteristics of the three regions, and in the development of trade with Russia, they also need to rely on the development of the overall financial market of Heilongjiang Province and the financial policy tilt of the Heilongjiang Free Trade Zone. At present, the Heilongjiang Free Trade Zone is actively creating a better business environment, including the government led to provide loan working capital, discount loans and other preferential policies, actively linking the bank and enterprises, to provide a guarantee for the recovery and root of enterprises. However, judging from the existing financial commodities and services of the current Heilongjiang Free Trade Zone, banks and other financial institutions still have huge market potential to develop special loans to Russian enterprises or similar products in the free trade zone. For Russian enterprises compared with general domestic enter-

prises, need to be affected by exchange rate fluctuations, customs policy, Russian economic environment, international relations and other multiple factors, relatively high risk, accounting and capital fluctuations is more obvious, there will be short-term bad accounts, as long as give certain loan emergency, can quickly get through. However, at present, the provincial banks launched less special loans, coupled with the general small scale of Russian enterprises, poor ability to resist risk, the risk rating is generally high, which leads to the Russian enterprises are easy to be affected by the international market fluctuations, and other bad operating conditions.

**Table 1.** Key economic indicators for the three Heilongjiang FTZ in 2017.

economic indicator	Harbin area	Heihe, area	Suifenhe area
Gross regional product (RMB 100 million)	4717.2	504.2	148.7
Regional product per capita (ten thousand yuan)	4.9	3.1	4.3
Per capita disposable income of urban residents (ten thousand yuan)	3.6	2.6	3.1
Per capita disposable income of rural residents (ten thousand yuan)	1.6	1.4	1.7
Public financial revenue (RMB 100 million)	368.1	32.1	4.7
Domestic deposit (RMB 100 million)	10,501.8	750.9	115.8
Domestic loan (RMB 100 million)	9833.4	585.2	114.9
Total import and export volume (RMB 100 million)	32.8	5.8	26.2
Total import volume (RMB 100 million)	19.1	4.0	22.0
Total export volume (RMB 100 million)	13.8	1.8	4.2
Actual use of foreign direct investment (US \$100 million)	34.4	1.3	0.2

Data source: 2018 Heilongjiang Statistical Yearbook, 2018 Heilongjiang Financial Yearbook, 2018 Suifenhe National Economic and Statistical Bulletin of Social Development.

**Table 2.** Key economic indicators for the three Heilongjiang FTZ in 2018.

economic indicator	Harbin area	Heihe, area	Suifenhe area
Gross regional product (RMB 100 million)	5010.1	531.8	153.3
Regional product per capita (ten thousand yuan)	5.3	3.3	4.2
Per capita disposable income of urban residents (ten thousand yuan)	3.8	2.8	3.3
Per capita disposable income of rural residents (ten thousand yuan)	1.7	1.5	1.8
Public financial revenue (RMB 100 million)	384.3	34.4	4.8
Domestic deposit (RMB 100 million)	11,492.9	809.0	125.5
Domestic loan (RMB 100 million)	10,687.6	557.2	123.9
Total import and export volume (RMB 100 million)	204.6	44.5	21.9
Total import volume (RMB 100 million)	106.2	32.9	18.9
Total export volume (RMB 100 million)	98.4	11.6	3.1
Actual use of foreign direct investment (US \$100 million)	36.5	1.4	0.22

Data source: 2019 Heilongjiang Statistical Yearbook, 2019 Heilongjiang Financial Yearbook, 2019 Suifenhe National Economic and Social Development Statistical Bulletin.

**Table 3.** Key economic indicators for the three Heilongjiang F T Z in 2019.

economic indicator	Harbin area	Heihe, area	Suifenhe area
Gross regional product (RMB 100 million)	5249.4	578.9	157.9
Regional product per capita (ten thousand yuan)	5.5	3.6	4.7
Per capita disposable income of urban residents (ten thousand yuan)	4.0	3.0	4.0
Per capita disposable income of rural residents (ten thousand yuan)	1.8	1.7	2.3
Public financial revenue (RMB 100 million)	370.9	38.8	4.9
Domestic deposit (RMB 100 million)	12,237.6	895.8	108.1
Domestic loan (RMB 100 million)	11,792.4	500.7	49.9
Total import and export volume (RMB 100 million)	248.3	38.7	161.5
Total import volume (RMB 100 million)	131.7	25.0	127.7
Total export volume (RMB 100 million)	116.5	13.7	33.8
Actual use of foreign direct investment (US \$100 million)	3.4	0.03	0.002

Data source: 2020 Heilongjiang Statistical Yearbook, 2020 Heilongjiang Financial Yearbook, 2020 Suifenhe National Economic and Social Development Statistical Bulletin.

## 1.2. Foreign Trade

Compared with other provinces, Heilongjiang Province has a natural geographical advantage in developing its trade with Russia. Russia is rich in natural resources. Since the beginning of the new century, Russia is also seeking economic transformation and vigorously developing investment and cross-border tourism. Heilongjiang is still in a single stage of primary product exchange with Russia. Relying on this simple traditional trade cannot meet the demand of economic growth in the new era. With the rapid development of transportation industry, the north and deep first-tier cities have opened arrived in Russia, far east, Suzhou, Wuhan and other second-tier cities also opened China-Russia railway transportation lines, Heilongjiang originally to Russia tourism advantage began to be affected, passengers do not need to go to Harbin or Suifenhe, can be directly arrived to Russia to play.

On July 16, 2001, the Chinese representative jointly signed with the Russian representative the Treaty of Good-neighborliness, Friendship and Cooperation between the People's Republic of China and the Russian Federation (hereinafter referred to as the Treaty). The treaty stressed the need to comprehensively develop the bilateral strategic partnership of cooperation in the long term and conduct cooperation in various fields on the basis of mutual benefit. The treaty is an important milestone in the history of China-Russia relations. It promotes the sustained, steady and healthy development of China-Russia relations, and firmly grasps the thought of "friendship for generation and never being the enemy". On November 10, 2001, China officially became a member of the World Trade Organization, which promoted the process of China's modernization, and promoted China's social and economic changes. Economically, in 2001, China-Russia trade transactions exceeded US \$20 billion for the first time, reaching US \$21.23 billion.

Russia joined the WTO late relative to China, more than 10 years later in the

middle. Russia officially entered the WTO on 16 December 2011, and lowered the overall tariff level from 10% to 7.8% starting from 2012. China-Russia relations are relatively complex (Hou, 2022). Since the beginning of the new century, China and Russia have made efforts to seek cooperation to fight against the rapidly changing international environment through common and mutually beneficial development. China has actively explored breakthroughs in reform and added solutions to resolving trade disputes between the two countries. From the perspective of industrial structure, China and Russia have a certain economic stickiness (Li, 2018). China needs to import a large amount of natural resources from Russia, including oil, natural gas and wood, etc., as well as some industrial resources, including steel and minerals. Russia needs to import a large number of light industrial products from China, including clothing, shoes and bags, as well as agricultural products and related products, including food and farm tools. China and Russia are important cooperative partners of each other, and Russia is an indispensable and important member of China's foreign trade strategy. Therefore, it is of great significance for Heilongjiang Province to establish free trade zones, actively explore reform policies through various ways, and enhance foreign trade with Russia and other countries to enhance economic development.

The essence of finance is to optimize the allocation of capital. By promoting the level of financial development, it can promote the optimal allocation of resources (Grygorova-Berenda, 2015). Therefore, promoting the deepening of finance can effectively improve the marginal capital production, allocate social funds, and serve the economy of a certain region or field. Since the new century, Heilongjiang Province has actively responded to the call of the state, learned from the advanced experience of other provinces, established cooperative relations with other provinces and other countries, optimized the trade environment, and improved financial efficiency. In 2020, the annual GDP of Heilongjiang province was 1369.85 billion yuan, the total balance of deposits and loans of local and foreign currencies of financial institutions was 5419.65 billion yuan, the investment in fixed assets increased by 3.6 percentage points compared with the previous year, nearly 12,000 new technology enterprises were been established, and the contract amount of newly signed foreign investment projects increased by 19.2 percentage points compared with the previous year.

But on the whole, the financial deepening degree of Heilongjiang Province is still relatively backward in the whole country. First, since the Heilongjiang province is affected by serious brain drain, lack of resources, unreasonable industrial structure and other adverse factors, the bank assets in Heilongjiang province are not fully utilized. In general, the return on capital of large state-owned commercial banks and joint-stock banks in Heilongjiang province is significantly lower than that of banks in other regions of China. Second, the cost-income ratio of banks in Heilongjiang province is relatively backward. One of the key factors that determine bank efficiency is the bank cost-to-income ratio. Third, the structure of financial institutions in Heilongjiang Province is both

light and heavy in the middle. From the perspective of institutional composition, the financial institutions in Heilongjiang Province are mainly banks, and the development of the securities industry and the insurance industry is relatively backward, leading to the insufficient products in the financial market, the financial services are relatively thin, and the too few products that investors can choose from. Fourth, the financial products of Heilongjiang Province have a single structure and low innovation. Cross-border settlement business and offshore finance will cause investors to be unable to build risk portfolios through risk sharing, so that both the financial market and investors are exposed to risks.

China's opening up has always sought breakthroughs through difficulties and obstacles. In terms of trade with Russia, although Russia lists China as the beneficiary of the GSP, the international trade barriers are still very serious. At present, the overall average Russian tariff level is 7.8%, but many of China's comparative advantage products are not on the list of tax-free or low-tax goods. This has a lot to do with the Russian economic structure. Russia's economy is relatively closed, the main economic way is to export rough processed raw materials, excessive reliance on energy and resources. At the same time, the rigid relationship between Russia and Europe and the United States has also led to the slow promotion of Russia's innovative economic strategy and the difficult efforts to change its economic growth model. In this case, in order to protect the local enterprises, Russia for the trade barriers are relatively broad and deep. It can be seen from the amount of foreign trade in 2019 that Heilongjiang Province mainly imports when trading with Russia, with imports from Russia accounted for more than three-quarters of the foreign imports, while exports only accounted for less than 30%. Thus, Russia occupies a very important position in Heilongjiang's foreign trade, and occupies an active position.

To some extent, the establishment of the free trade zone has enhanced the stability of Heilongjiang Province in the trade with Russia. Take Suifenhe as an example. Suifenhe is a typical foreign trade port city, the economy mainly depends on the import and export trade with Russia, such as Russian export grain, bags, shoes and other light industrial products, as well as import Russia's wood, oil, coal mine, building materials and other natural resources and heavy industrial consumables, has not yet formed a complete industrial chain, is still in a relatively low level of raw material transportation industry level. This single economic system that relies too much on foreign trade leads to the Suifenhe economy seriously relying on the foreign economic situation, which is affected by the institutional policies and the international situation. Since 2000 to before the establishment of the free trade zone, the Suifenhe economic economy has also been hit by the Russian economic market downturn. Until 2019, relying on the establishment of the free trade zone policy, Suifenhe's annual trade volume with Russia was 13.19 billion yuan, showing a certain growth trend compared with the previous year. At the same time, Russia has developed convenience services such as offshore enterprise certificate handling, enterprise loan working

capital and other financial services. While strengthening the degree of financial deepening in Suifenhe Area, it has effectively promoted the overall economic development of Suifenhe.

## **2. Deepen the Financial Content of Heilongjiang Free Trade Zone from the Perspective of Policy Support**

### **2.1. Financial Support Policies of the People's Bank of China**

From the perspective of policy support, this paper combs out and summarizes the existing financial deepening content of Heilongjiang Free Trade Zone. The first is the four financial support policies launched by the Harbin Central Branch of the People's Bank of China. It mainly includes cross-border settlement and credit investigation policies.

The policy on cross-border settlement mainly has two aspects: First, we will implement cross-border RMB settlement. For bank current items and capital items of the RMB cross-border settlement and income, in line with the provincial banking regulatory regulations of benign enterprises, can reduce formalities, simplify the proof process, using the People's Bank of Harbin central branch payment instructions can "pass", so as to promote Heilongjiang free trade zone enterprise trade convenience, improve investment efficiency. Second, we will promote the transfer of cross-border RMB assets in the free trade zone, and promote the frequency of cross-border use of RMB by jointly building a cross-border RMB asset transfer platform with foreign financial institutions (Zhu, 2010).

The policy on credit investigation mainly has two aspects: one is to implement the construction of a self-service inquiry machine for personal credit report in the free trade zone. Add self-service inquiry machines in the free trade zone to ensure that the number of self-service inquiry machines in the free trade zone is greater than the number outside the area, ensure the self-service inquiry credit needs of enterprises and residents in the area, and reduce the inquiry cost of enterprises and residents. Second, to promote the access of legal person commercial factoring companies to the credit investigation system. Commercial factoring companies should meet the following conditions: established for more than one year; recommended by the local financial regulatory bureau; the company is located in the free trade zone. Commercial factoring companies that meet the above conditions can apply for access to the credit investigation system. The addition of commercial factoring companies to the credit investigation system can effectively reduce the credit risk in trade and investment, weaken the information asymmetry between both sides, thus standardize the order of the financial market and promote the offshore financial development of the free trade zone.

### **2.2. Foreign Exchange Support Policies of the State Administration of Foreign Exchange**

The Heilongjiang Branch of SAFE has launched 10 foreign exchange support



policies for the Heilongjiang Free Trade Zone. It mainly includes four policies: supporting overseas institutions, supporting domestic banks, supporting the development of the insurance industry, and directly supporting the development of enterprises in the region.

Among them, the policies to support overseas institutions mainly include the following two aspects: First, to support overseas institutions to handle foreign exchange derivatives business in banks in the region. Second, we will support overseas institutions in handling the settlement of domestic and foreign accounts in banks in the region. For overseas institutions that can carry out spot foreign exchange settlement and sale business in accordance with relevant domestic regulations, banks both registered and operating in the free trade zone are allowed to handle the above two businesses for overseas institutions. By promoting the innovation of foreign exchange products of foreign institutions and increasing the foreign exchange use permits, we will improve the use of foreign exchange and increase the financial deepening level of free trade zones.

The policy to support domestic banks is mainly to simplify the audit process, and there are the following two specific simplified procedures: First, to simplify the audit of foreign exchange income and expenditure of current projects. On the premise of ensuring business compliance, domestic banks can simplify the reporting process and procedures, and independently handle the foreign exchange income and expenditure business of current projects for enterprises, including foreign exchange purchase, foreign exchange collection, foreign exchange settlement, etc. By simplifying and optimizing the foreign exchange audit process, they can improve the efficiency of enterprises in handling international trade business and reduce the cost of enterprises. Second, simplify the review of electronic documents for trade in goods. Before the establishment of the Free Trade Zone, banks must provide physical documents for enterprises to handle the foreign exchange income and expenditure of trade in goods business. Now, for enterprises and banks in the free trade zone, they can save enterprise costs by relying on electronic documents, so that enterprises can “go step by step less” (Liu, 2011).

A policy to support the domestic insurance industry is to simplify the access procedures for insurance companies to enter the foreign exchange market. For the insurance companies in the free trade zone to apply for foreign exchange insurance business, the application materials should be simplified, including a copy of the industrial and commercial business license, a copy of the organization code information certificate, etc.

There are five policies to directly support enterprises in the free trade zone, among which two are simplified procedures: to simplify the registration procedures of listed enterprises and to simplify the registration, change and cancellation procedures of the basic information of enterprise direct investment. There are two policies to enrich enterprise choice, namely, to increase the choice of enterprise cross-border financing mode and to reduce the requirements of en-

enterprise cross-border financing currency. For the foreign debt borrowing mode of enterprises in the region can be changed from the “betting difference” mode to the macro-prudential management mode of cross-border financing. Attempts to promote the withdrawal currency and repayment currency of enterprises in the area are inconsistent with the contracted currency. There is a policy to promote the management of enterprise funds, which reduced the scale of domestic and foreign currency payments for enterprises in the region to carry out cross-border funds in the previous year from more than 100 million to more than 50 million.

### **2.3. Financial Preferential Policies from Commercial Financial Institutions**

Finally is the China credit insurance company Heilongjiang branch launched 11 support policies and 16 commercial banks launched 85 preferential policies (Ni, 2013), respectively from the area enterprises to carry out cross-border trade, cross-border investment, complete sets of equipment export and overseas engineering contracting and import and export trade financing, exchange points, financing rates, cross-border settlement fees, offshore financial services, derivatives exchange rate content to support.

Credit insurance can effectively help foreign trade enterprises to avoid delayed credit risk and capital risk, China credit insurance company Heilongjiang branch of free trade zone enterprise orientation policy, aims to through risk sharing, promote the international market development of enterprises in the free trade zone, broaden the credit insurance market in Heilongjiang province.

Many preferential policies provided by 16 commercial banks, including Industrial and Commercial Bank of China and Bank of China, provide a guarantee for enterprises in the free trade zone to expand capital channels, simplify exchange procedures, reduce exchange rate risks, improve enterprise service convenience, and increase the choice of enterprise products.

## **3. How Will Heilongjiang Promote Financial Deepening**

### **3.1. Adjust the Industrial Structure**

At present, China is still a developing country, and its domestic industries are still mainly labor-intensive, and its high-tech industries and knowledge industries have not yet taken a dominant position. As a result, there are a large number of labor-intensive commodities exported in China's foreign trade. With the development of China's economic level, cultural level, social system and the people's growing need for a better material and cultural life, human costs began to gradually rise and capital accumulation began to gradually rich. At this time, adjusting the industrial structure has become a top priority and the situation tends. Generally speaking, the higher the level of financial deepening, the easier it is to promote the development of the financial industry, thus stimulate the development of the financial market, and then enrich the sources of social funds,

and thus improve the survival cycle of enterprises, and ultimately benefit from the whole region.

When international capital and international financial organizations enter, first, it can reduce social risks and pass them on. Second, we can increase social funds and strengthen the stability of the enterprise capital chain. Third, promote the improvement of the system of the domestic financial institutions, and force the domestic financial institutions to enhance the crisis awareness by way of competition, so as to improve the service level and product quality. Fourth, to promote enterprise investment in science and technology research and development, so as to help enterprises to achieve high-tech transformation. As far as the Heilongjiang Free Trade Zone is concerned, in recent years, it is actively exploring ways to help Heilongjiang province through transformation, seeking breakthroughs in the secondary and tertiary industry, and transforming from agriculture to the industrial service industry through government subsidies, investment attraction, optimizing the business environment and simplifying customs entry procedures. Therefore, the Heilongjiang Free Trade Zone to improve the level of financial deepening, will inevitably promote the industrial structure transformation of Heilongjiang Province. **Table 4** shows the total regional output value of Heilongjiang province by industry from 2000 to 2020.

However, there are still serious problems in the current industrial structure of Heilongjiang Province. Industrial output value has declined year by year since 2013, and its proportion has shown a downward trend since 2000. Heilongjiang industry belongs to the resource-driven economy, by mining oil, coal mine, wood and other resources development industry, with the increasing shortage of natural resources, and the impact of foreign markets, Heilongjiang industry

**Table 4.** 2000-2020\* Heilongjiang regional GDP (by Industry) (units: \$billion).

a particular year	primary industry	secondary industry	tertiary industry	a particular year	primary industry	secondary industry	tertiary industry
2001	426.6	1665.9	950.9	2011	1695.5	4916.3	3323.2
2002	464.2	1728.3	1050.2	2012	2119.6	5099.8	3796.4
2003	493.0	1956.4	1160.3	2013	2539.6	5202.7	4106.8
2004	580.9	2270.3	1283.5	2014	2691.0	4872.4	4607.4
2005	674.6	2656.4	1425.4	2015	2712.2	3926.9	5050.9
2006	731.8	2998.0	1600.0	2016	2751.2	3689.7	5454.1
2007	892.4	3383.0	1850.9	2017	2965.3	3519.5	5828.2
2008	1073.8	3935.0	2125.4	2018	3001.2	3536.0	6309.3
2009	1141.9	3668.1	2408.9	2019	3182.5	3615.2	6815.0
2010	1291.8	4146.1	2870.4	2020*	963.8	2592.8	5063.1

Data source: Heilongjiang Provincial Bureau of Statistics, "2001-2020 Heilongjiang Provincial Statistical Yearbook". Note: 2020 \* means the data from January-November 2020.

began to present depressed state, at the same time in Heilongjiang enterprises, state-owned enterprises accounted for too much, private enterprises for small micro enterprises, short survival cycle, cannot form economic growth. Through the establishment of Heilongjiang Free Trade Zone, domestic and foreign enterprises can be attracted to settle in the park. At this time, certain financial support can effectively relieve the pressure on enterprises when settling in. In addition, by increasing the investment in science and technology, it can accelerate the transformation of industrial enterprises to high-tech enterprises, so as to promote the industrial development of Heilongjiang Province. **Table 5** shows the composition of regional GDP of Heilongjiang Province from 2001 to 2020 (by industry).

### 3.2. Increase Fiscal Revenue

Fiscal revenue is related to people's livelihood and is the funds needed by the government to provide necessary materials and services to the society. Free trade zone financial deepening level and improve fiscal revenue mainly has the following reasons: one is the financial deepening can reduce the exchange cost of the enterprise, improve the management efficiency of the enterprise, at the same time the financial deepening will simplify tax procedures, comprehensive can reduce the government tax costs, indirectly improve enterprise tax enthusiasm, avoid because of objective reasons such as no tax. Second, financial deepening can achieve the purpose of attracting investment, so as to increase tax sources in the region, and finally increase tax revenue, and increase government fiscal revenue.

**Table 5.** Composition of 2000-2020 Heilongjiang regional GDP (by industry) (units: %).

a particular year	primary industry	secondary industry	tertiary industry	a particular year	primary industry	secondary industry	tertiary industry
2001	14.0	54.7	31.3	2011	17.1	49.5	33.4
2002	14.3	53.3	32.4	2012	19.2	46.3	34.5
2003	13.7	54.2	32.1	2013	21.4	43.9	34.7
2004	14.1	54.9	31.0	2014	22.1	40.0	37.9
2005	14.2	55.8	30.0	2015	23.2	33.6	43.2
2006	13.7	56.3	30.0	2016	23.1	31.0	45.9
2007	14.6	55.2	30.2	2017	24.1	28.6	47.3
2008	15.1	55.2	29.7	2018	23.4	27.5	49.1
2009	15.8	50.8	33.4	2019	23.4	26.6	50.0
2010	15.5	49.9	34.6	2020*	11.2	30.1	58.7

Data source: Heilongjiang Provincial Bureau of Statistics, "2001-2020 Heilongjiang Provincial Statistical Yearbook". Note: 2020 \* means the data from January-November 2020.

The fiscal revenue of Heilongjiang Province is in a backward position in the whole country. At present, there are many problems in the fiscal revenue of Heilongjiang Province. The province is still faced with the imbalance between income and expenditure, and the excessive dependence of public finance on subsidies. In order to achieve the endogenous growth of fiscal revenue, Heilongjiang Province should not only make good use of government fund investment, but also make good use of the free trade zone, improve the business environment, provide excellent policy treatment, promote enterprises to settle in the park, and thus improve the growth of fiscal income. **Table 6** shows the fiscal revenue data of Heilongjiang from 2000 to 2020. According to the data, the overall trend of major cities and cities began to grow steadily since 2016. In 2020, due to the impact of the epidemic, it turned to negative growth, but the decline was small. The ratio of public fiscal revenue to GDP is also known as the financial burden rate of the national economy. The higher the fiscal revenue accounts for DGP, the more funds are available for the government to provide public services to the society. From the perspective of the national economic and financial burden rate of Heilongjiang province, since the establishment of the free trade zone in 2019, the available fiscal revenue of Heilongjiang province has increased from 9.28% to 11.67%, exceeding 11% for the first time. Thus, the establishment of free trade zones and giving policy support can guide the government to achieve the growth of fiscal revenue.

### **3.3. Promote Trade and Investment**

Financial deepening can promote trade and investment is mainly composed of the following points: First, financial deepening improves the stability of foreign trade through stabilizing the exchange rate market. Enterprises do not have to bear the additional risk of exchange rate fluctuations when facing transnational transactions. Second, to simplify the transnational business process, it can save the time cost of enterprises in the transnational trade, and reduce the risk of delay caused by the cumbersome procedures. Third, to attract foreign financial institutions to settle in, and enrich the choice of enterprises. When enterprises invest in other countries, they will give priority to familiar financial institutions for fund management. At the same time, the same financial institution is more convenient for different accounts of enterprises to settle transnational. Fourth, expand the scale of RMB cross-border payment, so as to improve the efficiency of enterprise capital management, and then increase the investment scale of enterprise funds. Fifth, we will increase the opening scale of capital projects and attract idle foreign funds. As far as Heilongjiang is concerned, taking Heihe Area as an example, convenience services are implemented through financial deepening policies to promote the development of cross-border e-commerce industry, so as to improve the type and quantity of foreign trade (Sugiyanto & Yolanda, 2020). The innovative platform has also attracted foreign investment.

**Table 6.** 2000-2020\* Heilongjiang public revenue.

	2000	2005	2010	2015	2019	2020*
Public financial revenue (RMB 100 million)	185.3	318.2	755.6	1165.9	1262.8	1005.7
National economic financial burden rate is (%)	5.70	6.69	10.47	9.97	9.28	11.67

Data source: Heilongjiang Provincial Bureau of Statistics, "2001-2020 Heilongjiang Provincial Statistical Yearbook". Note: 2020 \* means the data from January-November 2020.

Consumption is the primary driving force of economic growth. Consumption plays an important role in national economic growth. Through financial support, providing subsidies or preferential loans to businesses can significantly stimulate domestic demand and stimulate consumption potential, thus promoting trade and investment (Shankha, 2019). Its impact is mainly reflected in the following aspects: Firstly, e-commerce platforms and offline supermarkets make joint efforts to stimulate people's consumption and expand the scale of consumption, through government subsidies and other ways. Secondly, we will work hard to improve people's wellbeing, including the standardized management and construction of the vegetable market, the renovation and improvement of the provincial pedestrian street, chain supermarkets and other aspects. Through the financial support of enterprise development, so as to meet the growing needs of the masses, and then improve consumption. Third, we will develop rural markets. We will unite with rural farmers to develop rural tourism, form industrial chain clusters, integrate the first, secondary and tertiary industries, and create a new ecological construction. Use the cross-border e-commerce platform to value the processed agricultural products, sell them abroad, and open up new consumer groups; So as to improve the living standards of farmers, and then enhance the potential of rural consumption. Fourth, we will help us develop new technologies. Through technical subsidies and other means, strengthen enterprise technology investment, realize enterprise technology transformation, and transform from labor-intensive enterprises to high-tech enterprises. At the same time, we will use emerging technologies, such as cloud, Internet and other platforms, to enrich online and offline consumption channels, so as to open up new consumer demand.

According to the 2020 Social Bulletin of Heilongjiang Province and the 2019 Social Bulletin, at present, the Heilongjiang tourism industry, cultural industry and emerging science and technology industry have a certain integration, the supervision and marketing work are being steadily promoted, and the tourism industry is developing and growing. From the perspective of provincial tourism economic indicators, Heilongjiang province tourism is developing well. From the perspective of the composition of tourists, there are mainly more domestic tourists, and tourists from outside the province are the main driving force of Heilongjiang Province to drive the tourism economy (Zhang, 2021). In 2019, it received 216 million domestic tourists, achieved tourism revenue of 264 billion yuan, received 1.1069 million international tourists, and achieved tourism foreign exchange revenue of US \$632 million. According to the analysis report of

the development of the provincial tourism economy, there are still some problems in the tourism economy of Heilongjiang Province, such as imperfect tourism public facilities, weak service concept, and no characteristics of cultural products. Through the investment attraction of Heilongjiang Provincial Free Trade Zone, the promotion of tourism facilities and infrastructure and service personnel training can be realized, and more suitable cultural industry enterprises can be attracted to settle in the park and strengthen cultural publicity.

#### 4. Conclusion

In summary, Heilongjiang province can deepen differentiated development according to its own development characteristics and advantages. In addition, Heilongjiang province can continuously strengthen financial deepening by promoting the rationalization of existing industrial structure, improving people's livelihood and increasing fiscal revenue, promoting trade and investment. In terms of trade, the three free trade zones in Heilongjiang province have their own characteristics, among which Harbin pays attention to systematic innovation, Heihe pays attention to cross-border e-commerce, and Suifenhe pays attention to trade between China and Russia. Therefore, we can promote its differentiated development according to its own characteristics.

#### Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

#### References

- Bernhard, F., & Helmut, R. (1993). Financial Openness in Developing Countries. *Inter-economics*, 28, 44-48. <https://doi.org/10.1007/BF02928101>
- Cao, X., & Zhang, T. (2019). The Achievements and Prospects of Heilongjiang Province's Foreign Trade in the Past 70 Years. *Foreign Economic and Trade*, No. 12, 34-39.
- Grygorova-Berenda, L. I. (2015). *International Competitiveness of the Maquiladoras in the Context of NAFTA-Functioning: Experience for Ukraine*. Biznes Inform.
- Hou, M. (2022). Research on Heilongjiang-Russia Trade Development Path in the New Era. *Commercial Economy*, No. 3, 16-18+21.
- Juan, A. F. (1994). Inversiones Extranjeras POR Fondosde Pensiones: Efectos Sobre la Política Macroeconómica. *Cuadernos de Economía*, 31, 161-183.
- Li, M. (2018). Research on the Status Quo and Countermeasures of Heilongjiang-Russia Forestry Trade. *Public Investment Guide*, No. 17, 208-209.
- Liu, C. (2011). Empirical Study on the Relationship between Financial Development and Economic Growth in Heilongjiang Province. *Business Economics*, No. 24, 10-11.
- Ni, T. (2013). *Research on Tax Preferential Policies for Smes in China after the Financial crisis*. Southwestern University of Finance and Economics.
- Shankha, C. (2019). Financial Deepening. *Arthaniti: Journal of Economic Theory and Practice*, 18, 111-137. <https://doi.org/10.1177/0976747918814031>
- Sugiyanto, C., & Yolanda, Z. (2020). The Effect of Financial Deepening on Economic

Growth, Inequality, and Poverty: Evidence from 73 Countries. *South East European Journal of Economics and Business*, 15, 15-27. <https://doi.org/10.2478/jeb-2020-0012>

Sunanda, S. (1996). Financial Openness and Real-Financial Sector Nexus. *Economic and Political Weekly*, 31, 1025-1029.

Zhang, M. (2021). Taking Tourism as an Opportunity to Promote Heilongjiang Province's Economic Development Path Analysis. *Frontier Economy and Culture*, No. 11, 56-58.

Zhu, H. (2010). Deepening The Cooperation between Bank and Government, Innovating financial Services and Promoting Heilongjiang's Economic and Trade Development—Speech at “2010 Heilongjiang Finance High-Level Forum”. *Heilongjiang Finance*, No. 11, 11-12+10.