

# Research on the Innovation of the Foreign Investment Management System in Chongqing Pilot Free Trade Zone

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**Abstract:** Amid the wave of economic globalization and institutional opening-up, based on transaction cost and institutional change theory as well as regional development and regional innovation theory, this paper constructs a “theory-empirical-countermeasure” framework. It evaluates the effectiveness of the innovation of the foreign investment management system in Chongqing Pilot Free Trade Zone (FTZ) through questionnaires and empirical analysis. The results show that the “negative list” and the reform of “streamlining administration, delegating powers, improving regulation, and optimizing services” have achieved remarkable results, despite challenges. Therefore, this paper brings up suggestions such as strengthening integration, highlighting characteristics, and aligning with international standards.

**Keywords:** Chongqing Pilot Free Trade Zone; Institutional innovation; Foreign investment management; Negative list; Inland opening-up

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## 1. Research background and significance

### 1.1 Research Background

In the wave of economic globalization, pilot free trade zones have become an important starting point for China to deepen reform and expand opening-up. Since the establishment of the Shanghai Pilot Free Trade Zone in 2013, China has laid out 22 pilot free trade zones, covering a wide range of areas. After the 18th National Congress of the Communist Party of China, pilot free trade zones have undertaken the mission of pioneering trials and institutional innovation. Chongqing was approved as a pilot free trade zone in 2017. As an inland pilot free trade zone, it faces opportunities, such as the “Belt and Road” Initiative and challenges from the global economy. Studying the innovation of its foreign investment management system is of far-reaching significance for inland opening-up.

### 1.2. Research significance

#### 1.2.1. Theoretical significance

Existing research on pilot free trade zones mainly focuses on coastal areas, with less attention paid to inland

regions. This study analyzes the logic and path of institutional innovation in the Chongqing Pilot Free Trade Zone, explores the theory of institutional opening-up in inland areas, enriches the application scenarios of pilot free trade zone theories, and deepens the understanding of the application of institutional change theory in regional opening-up.

### **1.2.2. Practical significance**

The institutional innovation of the Chongqing Pilot Free Trade Zone meets the needs of inland opening-up. Summarizing its experience can solve the problem of insufficient foreign investment attraction. Analyzing challenges and putting forward suggestions can provide references for inland opening-up.

## **2. Theoretical basis**

### **2.1. Theoretical support**

#### **2.1.1. Transaction cost and institutional change theory**

Transaction cost and institutional change theory provide support for the development of the Chongqing Pilot Free Trade Zone. Transaction cost theory holds that the core of institutions is to reduce market transaction costs. The essence of reforms in various fields of the pilot free trade zone is to optimize institutions, reduce institutional costs, and improve market efficiency. Institutional change theory shows that institutional reform is affected by many factors, and its incremental innovation follows the path of “pilot-summary-promotion”, which is in line with inland reform.

#### **2.1.2. Regional development and regional innovation theory**

Regional development and regional innovation theory highlight their important role. Growth pole theory shows that the Chongqing Pilot Free Trade Zone, as a growth pole for opening up in the western region, drives inland opening up and industrial upgrading. Regional innovation system theory emphasizes subject synergy. The pilot free trade zone optimizes the environment through institutional innovation and enhances regional innovation and industrial competitiveness.

### **2.2. Literature review**

#### **2.2.1. Foreign research status**

Foreign-related research mainly focuses on the economic effects, institutional paths, and risk prevention and control of free trade ports and special economic zones. Studies have shown that open functional zones can significantly improve enterprise efficiency and regional development levels <sup>[1]</sup>, and form a transmission mechanism of “opening-up-innovation-development” <sup>[2]</sup>. Some studies have proposed analytical frameworks such as “channel-hub-institution” for inland opening up <sup>[3]</sup>, and emphasized the importance of aligning with international economic and trade rules, preventing cross-border risks and policy arbitrage, providing an international perspective and theoretical reference for this study <sup>[4]</sup>.

#### **2.2.2. Domestic research status**

Domestic research on coastal pilot free trade zones is relatively mature, focusing on summarizing landmark reform experiences, such as investment negative lists, international trade single windows, and financial opening-up <sup>[5]</sup>. Research on inland pilot free trade zones focuses more on how to overcome geographical

disadvantages and improve opening-up levels through channel construction, multimodal transport <sup>[6]</sup>, and regulatory innovation.

Regarding the Chongqing Pilot Free Trade Zone, existing studies have affirmed its achievements in intermodal transport supervision, channel economy, and investment and trade facilitation <sup>[7]</sup>, and also pointed out problems such as insufficient institutional synergy and room for improvement in innovation vitality <sup>[8]</sup>. In terms of regional linkage, academic circles generally support the coordinated opening-up of pilot free trade zones in the Chengdu-Chongqing region, emphasizing the importance of building a cross-regional cooperation mechanism <sup>[9]</sup>.

### **2.2.3. Research review and entry point**

Although existing literature studies pilot free trade zones from multiple perspectives, there are still shortcomings: the internal logic and path of institutional synergy in inland pilot free trade zones are not systematically studied; the mechanism and model of digital empowerment for institutional innovation are insufficiently discussed; the analytical framework and scheme adapted to inland characteristics need to be improved. This paper focuses on the Chongqing Pilot Free Trade Zone, analyzes the practice and problems of institutional innovation, and puts forward optimization paths from multiple perspectives to help the high-quality opening-up of inland pilot free trade zones.

## **3. Achievements and shortcomings of the innovation of the foreign investment management system in the Chongqing Pilot Free Trade Zone**

Based on transaction cost and institutional change theory, combined with the characteristics of Chongqing's inland open economy, this study constructs a research plan covering four dimensions. It surveys eight types of government departments and foreign-funded enterprises in seven industries, and collects 216 valid questionnaires, covering three major areas of the pilot free trade zone and key industries. SPSS 26.0 is used for multivariate statistical analysis to ensure scientific and objective results.

### **3.1. Achievements**

#### **3.1.1. Significant improvement in investment access openness**

Chongqing Pilot Free Trade Zone has optimized foreign investment access restrictions and established a mechanism of “no approval outside the list”. As shown in **Table 1**, after the implementation of the negative list, the number of newly established foreign-funded enterprises in the zone has increased by an average of 30.7% per year, foreign-funded manufacturing enterprises have increased by 41.3%, and 18 international auto parts manufacturers have settled in <sup>[10]</sup>. The entire record-filing process has been electronicized, the approval time limit has been reduced from 20 working days to 2.8 working days, and the number of materials has been reduced by 65.2%. From 2022 to 2025, the actual use of foreign capital has increased by an average of 25.3% per year, 10.6 percentage points higher than the city-wide average. Pearson analysis shows that foreign investment approval efficiency is significantly positively correlated with enterprise entry willingness ( $r = 0.68, p < 0.01$ ), and 38.5% of foreign-funded enterprises regard “simplified negative list” as the core factor for entry.

**Table 1.** Improvement of key indicators of foreign investment access in the Chongqing Pilot Free Trade Zone

Indicators	Before Reform	Status in 2025	Improvement Range
Foreign investment filing time limit	20 working days	2.8 working days	Shortened by 86.0%
Number of materials for enterprise establishment	18 items	6.3 items	Reduced by 65.2%
Average annual growth rate of actual use of foreign capital	/	25.30%	10.6% higher than the city-wide average
Growth rate of foreign-funded manufacturing enterprises	/	41.3%	/

Source: Compiled based on survey data

### 3.1.2. Continuous optimization of investment facilitation level

The implementation of models such as “one-stop service” and “commitment system + deficiency acceptance” has reduced the time from project approval to start-up by 62.4%. The approval efficiency of high-tech and strategic emerging industry projects has increased by 51.7%, and the “land acquisition and immediate start-up” reform in Liangjiang New Area has shortened the project landing cycle by 45 days. The “one-stop” service center for high-end foreign talents completes multiple approvals within 7 working days. In 2025, the number of foreign employees in foreign-funded enterprises in the zone increased by 28.6% year-on-year, and 63.2% of enterprises affirmed the cost reduction effect of the talent approval policy. The satisfaction of foreign-funded enterprises with policy handling efficiency is 3.82 points (on a 5-point scale), and the satisfaction with basic links such as foreign investment filing and export tax rebate exceeds 4 points, showing remarkable results of facilitation reforms.

### 3.1.3. Prominent Effect of Regional Coordinated Investment Promotion

Chongqing Pilot Free Trade Zone and Chengdu Pilot Free Trade Zone have realized mutual recognition of rules in 10 fields and implemented “filing in one place, universal use in the whole region”, reducing cross-regional investment costs by 17.8%. From 2023 to 2025, 12 regional headquarters of multinational enterprises will be introduced. The city’s unified institutional innovation information sharing platform integrates data from multiple departments to realize the whole-process online management of policies. The “customs-bank-tax-exchange” integrated platform has achieved remarkable results: 68.4% of government departments have compressed approval time by 40–60%, 31.6% by more than 60%, and the efficiency of cross-regional business handling has increased by 58.2%. The enterprise policy awareness rate is 100%, and the declaration coverage rate is 90.3%, solving the “last mile” problem of policy implementation.

## 3.2. Shortcomings

Despite the remarkable achievements in the innovation of the foreign investment management system in Chongqing Pilot Free Trade Zone, combined with survey data and theoretical analysis, there are still four prominent problems that restrict the full release of innovation efficiency.

### 3.2.1. Insufficient systematicness and synergy of institutional innovation

Factor analysis extracts 3 common factors of policy synergy effect, including “inter-departmental linkage”, with a cumulative variance contribution rate of 76.8%. Institutional innovation is fragmented, policy connection is not smooth, and a complete innovation system has not been formed, resulting in path dependence. The inter-departmental coordination mechanism is not perfect: 31.7% of policies have

inconsistent implementation standards, only 65.3% of foreign-funded enterprises believe that the system has a synergy effect, and 28.5% of enterprises report policy conflicts, leading to an average increase of 8.3% in enterprise operating costs.

### **3.2.2. Low proportion of original innovation and obvious regional differences**

Innovation source attribution analysis shows that 70.6% of investment management innovation measures learn from the experience of coastal pilot free trade zones, and independent innovation in line with the characteristics of Chongqing's inland opening-up accounts for less than 29.4%. The development of each area is unbalanced: the difference coefficient of foreign capital agglomeration between the Xiyong Area and other areas reaches 0.68. In 2025, the number of foreign-funded enterprises and the actual use of foreign capital in the Xiyong Area account for 62.3% and 68.4%, respectively, while those in other areas account for less than 32%. Only 42.7% of foreign-funded enterprises in non-Xiyong areas understand and enjoy all innovation policies, which is much lower than 78.3% in the Xiyong Area. The regional balanced development model shows that the difference in policy implementation between areas leads to a loss of about 15.6% in the efficiency of foreign capital utilization, restricting the overall opening-up level of the pilot free trade zone.

## **4. Countermeasures and suggestions for promoting the high-quality development of institutional innovation in Chongqing Pilot Free Trade Zone**

To solve the problems of system synergy, originality, international alignment, and guarantee mechanism in the innovation of the foreign investment management system in Chongqing Pilot Free Trade Zone, based on empirical conclusions, this paper puts forward four strategic suggestions in the context of “system-characteristics-alignment-guarantee”.

### **4.1. Strengthen system integration and build an integrated institutional framework**

Focusing on mechanism linkage and process reengineering, build an integrated institutional framework of in-depth integration of “investment-trade-finance-supervision” to improve policy synergy efficiency and enterprises' actual sense of gain.

#### **4.1.1. Policy cluster construction and inter-departmental coordination mechanism innovation**

Build an “investment-trade-finance-supervision” policy cluster: in investment, connect the negative list with industrial policies to support foreign-funded projects in emerging industries; in trade, build a chain with the New International Land-Sea Trade Corridor in the west as the core; in finance, provide one-stop services; in supervision, implement “low intervention and fast release” for high-credit enterprises. At the same time, strengthen the overall coordination function of the municipal FTZ office, establish a joint meeting system, and implement policy compatibility testing to ensure that innovative measures are effective and usable.

#### **4.1.2. Drawing an “institutional innovation map” and constructing a “policy synergy index”**

Compile an annual “institutional innovation map” for the Chongqing Pilot Free Trade Zone, clarify the connection paths and synergy nodes of various reform measures, and realize policy visualization and traceability. Synchronously construct a “policy synergy index”, conduct quantitative evaluation from dimensions such as inter-departmental linkage, enterprise satisfaction, and execution efficiency, and release evaluation reports every six months to promote the transformation of institutional integration from “physical

combination” to “chemical reaction”.

## **4.2. Based on local advantages, create an original institutional innovation brand**

Transform Chongqing’s industrial foundation and geographical advantages into irreproducible institutional competitiveness, realize the transformation from “learning and drawing on” to “leading and outputting”, and form iconic innovative achievements different from other pilot free trade zones.

For this reason, focus on characteristic fields and strive to build four innovative brands: based on industrial clusters such as automobiles and electronics, build an open brand for the entire industrial chain of advanced manufacturing, and pilot full-chain institutional innovation; promote the real digitization of railway bills of lading, improve the “bill of lading + finance + insurance” service chain, shape an innovative brand for land trade rules, and strengthen the right to speak in the rules of China-Europe Railway Express (Chengdu–Chongqing); carry out pilot projects for cross-border transactions of digital cultural and creative industries, explore mechanisms for the safe and orderly flow of data, and cultivate brands for digital cultural and creative industries and cross-border data flow; focus on the industrial map, implement “dual-chain” targeted investment promotion, attract functional institutions to settle in, and build a characteristic and precise investment promotion brand.

## **4.3. Align with international high standards and deepen institutional opening-up**

Proactively adapt to international high-standard economic and trade rules such as RCEP and CPTPP, and build a stable, transparent, and predictable international business environment.

### **4.3.1. Building a high-level system for trade and investment liberalization and facilitation**

Implement a more streamlined negative list for cross-border service trade, and take the lead in canceling unnecessary qualification restrictions in fields such as education and medical care. Fully implement the “pre-establishment national treatment + negative list” management system, establish a dynamic and transparent mechanism, and realize “no approval outside the list”. Proactively connect with digital trade rules, pilot classified and hierarchical management of cross-border data, explore a “data customs”, and build a cross-border digital trade platform facing ASEAN.

### **4.3.2. Establishing an internationally compatible dispute resolution and intellectual property protection mechanism**

Improve the multi-resolution mechanism for international commercial disputes. With mediation and arbitration as the core, introduce about 30 foreign legal professionals, build a “mediation + arbitration + litigation” model, and cooperate with internationally renowned arbitration institutions to build a one-stop platform to shorten the dispute handling cycle by 30%. At the same time, establish a “fast protection” mechanism for intellectual property rights, set up mobile courts and rapid rights protection centers, implement “three priorities”, complete recognition within 60 working days, and explore punitive damages.

## **4.4. Improve the legal and evaluation guarantee mechanism and consolidate the foundation for sustainable innovation development**

Solidify reform achievements with the rule of law, drive policy iteration with scientific evaluation, and build a closed-loop system of “institutional design-execution-evaluation-optimization”.

#### **4.4.1. Strengthening the construction of the legal guarantee system**

Actively seek national authorization to elevate effective reform measures to local regulations or special zone regulations. Establish a regular cleaning mechanism for laws, regulations and policies, and promptly abolish or revise clauses inconsistent with international rules. At the same time, set up a special court for the pilot free trade zone to enhance the professionalism and international credibility of judicial protection.

#### **4.4.2. Building a full-process dynamic evaluation and optimization closed loop**

Establish a full-process evaluation system of “pre-implementation demonstration, in-implementation monitoring, and post-implementation evaluation”. Introduce third-party institutions to conduct quantitative evaluation of innovative policies from multiple dimensions, such as economic benefits, social benefits, and enterprise sense of gain. Implement an “annual evaluation and dynamic optimization” mechanism, and timely adjust or terminate ineffective policies according to the evaluation results, forming a virtuous cycle of “design-implementation-evaluation-optimization” to ensure that institutional innovation continues to meet the actual development needs.

### **5. Conclusion**

Based on transaction cost and institutional change theory, this study evaluates the effectiveness of the innovation of the foreign investment management system in Chongqing Pilot Free Trade Zone through questionnaires and empirical analysis. It was found that the negative list and the reform of “streamlining administration, delegating powers, improving regulation, and optimizing services” have improved investment openness and facilitation, but there are problems such as insufficient system synergy and a lack of originality. In terms of theoretical contributions, it enriches the application of institutional change theory in regional opening-up, provides a new perspective for understanding the dynamic process of institutional change, and focuses on inland pilot free trade zones to deepen understanding of the application of institutional economics theories. In terms of policy implications, it is suggested to strengthen system integration, highlight regional characteristics, align with international high standards, and improve the guarantee mechanism. In terms of research prospects, future research can further explore the impact of digital technology, strengthen comparative research between inland and coastal areas, and dynamically track the needs of the evolution of international economic and trade rules.

### **Disclosure statement**

The authors declare no conflict of interest.

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