CHINESE ECONOMIC DEVELOPMENT ZONES

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2012-8

Joint Research
I. Establishment and Evolution

- Chinese economic special zones were first established around the Third Plenary Session of the Eleventh Central Committee of the CPC in 1978. It is a symbol for China’s entry into the epoch of reform and opening-up since the Economic Special Zone is the earliest form of Chinese development zone.

- The process of its establishment and development can be considered a miniature of the process of China’s reform and opening-up.
I. Establishment and Evolution

*Decision Making Process*

The economic special zone is a window for the opening-up policy. Its formation is closely related to the steps of China’s exploration to the thinking and practice of opening-up and may be roughly divided into three steps:

① Set up foreign processing zones →

• ② Introduce special preferential policies →

• ③ Directly introduce foreign capital to set up plants.
I. Establishment and Evolution

Strategic Move

• As a strategic move for deepening reform and developing Chinese’s economy, there are four purposes:
  →a. To attract and concentrate foreign capital
  →b. To build bridges between Chinese huge market and international investment
  →c. To make up for the shortage of domestic resources and drive economic development of the whole country
  →d. To connect with international economic circulation as bridgeheads
II. Classification

*Standard*

level of approval: state-level development zones
provincial-level development zones

function: economic special zone
economic and technological development zone
high-tech development zone
bonded zone
border economic cooperation zone
tourist holiday resort
export-processing trade zone
II. Classification

*Chinese development zones*

- **Economic special zones**
  - QTY: 5  Shenzhen, Zhuhai, Shantou, Xiamen, Hainan
  - Areas a country or region sets aside, and grants with special economic policies to promote foreign trade and economic development of the country

- **Economic and technological development zones**
  - QTY: 116
  - specific areas that China set up in coastal cities to mainly develop knowledge-intensive and technology-intensive industries.

Data by the end of 2010
II. Classification

*Chinese development zones*

- **High-tech industrial development zones**
  - QTY: 69
  - The industrial development zones in some knowledge intensive and technology intensive large and medium cities and coastal areas for the purpose of developing new and high-tech technologies.

- **Bonded zones**
  - QTY: 15
  - Operating according to international practice and adopt more flexible and preferential policies compared to other open zones

Data by the end of 2010
II. Classification

*Chinese development zones*

- **National tourist holiday resorts**
  - QTY: 12
  - The comprehensive tourist areas that meet international requirements on holiday and tourism and mainly cater for reception of overseas tourists.

- **Border economic cooperation zones**
  - QTY: 14
  - Areas where the Chinese open border cities, develop border trade and process export products.

Data by the end of 2010
II. Classification

*Chinese development zones*

- State-level export-processing zones
- QTY: 60
- Areas which turn scattered processing trade into centralized processing trade
III. Achievements

*Current Situation*

- State-level economic and technological development zones had complied with national development strategies. In other aspects, they achieved fruitful results, accumulated important experience, and played a role of a showcase and a demonstrative, irradiative and driving role.

- Now they have become bases of emerging industries where modern manufacturing industries are concentrated, foreign investment is intensive, investment environment is optimized and new and technologies are developed, and important carriers promoting industrial restructuring of the cities where the development zones are located, and promoting the coordinated and balanced development of regional economy.
III. Achievements

Current Situation

• I. Improvement in infrastructure
  Infrastructure construction: “7 accesses and 1 leveling”
  Management and service:
  “one – station” service system
  “one – station” examination and approval halls
  “one window” service
  the system of approval within a specific timeframe

II. Rapid growth of total output value
one Graph
III. Achievements

Current Situation

• III. Increase of industrial agglomeration/cluster effect
• e.g. Chongqing Liangjiang New Area

• IV. Rise of international influence
III. Achievements

Current Situation

• V. Sustainable development under the drive of institutional innovation

Administrative models:

a. The system of administrative committee (or function zone)

b. The administrative system

• VI. Promotion of coordinated urban-rural development and harmonious economic and social development
# Main statistical data of various kinds of development zones in China in 2010

<table>
<thead>
<tr>
<th>No. of development zones</th>
<th>Quantity</th>
<th>No. of enterprises in the zones</th>
<th>GDP of the zones (100 million Yuan)</th>
<th>No. of employees in the zones (10,000 persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State level development zone</td>
<td>326</td>
<td>91408</td>
<td>62968</td>
<td>2086.6</td>
</tr>
<tr>
<td>Provincial- level development zone</td>
<td>1250</td>
<td>67808</td>
<td>41728</td>
<td>1336.6</td>
</tr>
<tr>
<td>Economic and technological development zone</td>
<td>128</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High-tech industrial development zone</td>
<td>67</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonded zone</td>
<td>15</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Border economic cooperation zone</td>
<td>14</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export processing zone</td>
<td>60</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>42</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# National development zones’ approval, supervision and sources of funding

<table>
<thead>
<tr>
<th>Classification of National development zones</th>
<th>Approval &amp; supervision</th>
<th>Sources of funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic special zones</td>
<td>State Council</td>
<td>Each development zone has an investment management company. Funds are raised mainly through land mortgage. Other fund sources are fiscal allotment, share participation of enterprises and issuance of bonds. (Source: the author established)</td>
</tr>
<tr>
<td>Economic and technological development zones</td>
<td>State Council, Ministry of Commerce</td>
<td></td>
</tr>
<tr>
<td>High-tech industrial development zones</td>
<td>State Council, Ministry of Science and Technology</td>
<td></td>
</tr>
<tr>
<td>Bonded zones</td>
<td>State Council, General Administration of Customs</td>
<td></td>
</tr>
<tr>
<td>National tourist holiday resorts</td>
<td>State Council, NationalTourism Administration</td>
<td></td>
</tr>
<tr>
<td>Border economic cooperation zones</td>
<td>State Council</td>
<td></td>
</tr>
<tr>
<td>State-level export-processing zones</td>
<td>State Council, General administration of Customs</td>
<td></td>
</tr>
</tbody>
</table>
III. The “12th Five-Year” Plan and Development Zones

• According to the “12th Five-Year” period, development zones will still undertake the major task of achieving the goal of national economic and social development.

• On the one hand, the “12th Five-Year” Plan points out a direction for the development of development zones, sets clear goals for development zones and provides opportunities for the further development and improvement of development zones.

• On the other hand, it also sets higher and stricter requirements on development zones and gives development zones a broader space for innovation and reform.
III. The “12th Five-Year” Plan and Development Zones

DIRECTION

1. To promote the restructuring of key manufacturing industries, to develop modern industrial clusters, and to establish industrial technologic innovation and service platforms

2. To develop strategic - emerging industries

3. To develop productive service industry

4. To cultivate and to develop high-tech service enterprises and famous brands
III. The “12th Five-Year” Plan and Development Zones

**REQUIREMENTS**

- To coordinate urban-rural development
- To seek scientific development and sustainable development
- To optimize the “external connection” and to explore a “Go Global” strategy
- Domestic development zones moved at an opportune time: strategic adjustment of two state-level development zones
- Innovation in administrative systems as a “bottleneck” for the implementation of the “12th Five-Year” Plan
To promote the harmonious development of urban and rural areas

To promote the transfer of rural population
To seek scientific development and sustainable development

1. To control greenhouse gas emission
2. To strengthen resource conservation and management
3. To develop a circular economy
4. To strengthen environmental protection
To optimize the “external connection” and to explore a “Go Global” strategy

To perfect regional patterns of opening-up

To optimize the structure of foreign trade

To explore a “Go Global” strategy
Domestic development zones moved at an opportune time:

*strategic adjustment of two state-level development zones*

- Chongqing Liangjiang New Area
- Hainan Yangpu Economic Development Zone
Innovation in administrative systems as a “bottleneck” for the implementation of the “12th Five-Year” Plan

(I) Main administrative models of development zones
   1. Government dominance
      a. by a quasi-government administrative committee
      b. by an administrative area
      c. by the administrative committee of the development zone and the administrative area

(II) Mixture of government and enterprises and corporate dominance

(III) Two major problems with management bodies
   1. Ambiguous administrator status of the management bodies of development zones
   2. Ambiguous functions and authorities of the management bodies
# Basic administrative models of domestic development zones

<table>
<thead>
<tr>
<th>System type</th>
<th>Model</th>
<th>Administrator</th>
<th>Administrative authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government dominance</td>
<td>Administration by a quasi-government administrative committee</td>
<td>Government</td>
<td>Largest</td>
</tr>
<tr>
<td></td>
<td>Administration by an administrative area</td>
<td></td>
<td>State-level development zones: with the authority of provincial-level economic management</td>
</tr>
<tr>
<td>Mixture of government and enterprises</td>
<td>Merged administration of the administrative committee of the development zone and the administrative area</td>
<td></td>
<td>Provincial-level development zones: with the authority of municipal (county) level economic management</td>
</tr>
<tr>
<td>Corporate dominance</td>
<td>Mixed administration or cooperative management</td>
<td>Administrative committee and development corporation</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>Management by developers</td>
<td>Enterprise</td>
<td>Weak, without the authorities of administration and economic management</td>
</tr>
</tbody>
</table>
IV. Final Conclusion

- The development of Chinese development zones has been a process that started in the 1980s, generally speaking, we can consider that throughout nearly 30 years, the strategy of development zones has achieved a remarkable result.
- However, despite the achievements, we should also be aware of the problems and challenges that they face.
IV. Final Conclusion
Problems and Challenges

- The general idea of keeping pace with the times
- Dual transformation and upgrading of the industries in the zones and its functions
- The need for constant innovation in administrative systems and mechanisms of development zones
- Facing the resources’ challenge
- The need to support the “Go Global” strategy
- A major restraint against the development of Chongqing “Liangjiang New Area”
- Restraints and future direction of the development of Hainan Economic Special Zone
- The ecological challenges
Thanks