Special Economic Zones of China

From Wikipedia, the free encyclopedia

Special Economic Zones of China (**SEZs**) are special economic zones located in mainland China. The government of China gives SEZs special (more free market-oriented) economic policies and flexible governmental measures. This allows SEZs to utilize an economic management system that is more attractive to doing business than in the rest of mainland China.

Special Economic Zones

A map showing the locations of the Special Economic Zones

Simplified Chinese	经济特区
Traditional Chinese	經濟特區
Transcriptions	
Standard Mandarin	
Hanyu Pinyin	jīngjì tèqū
Wu	
Romanization	jing-je-tah-chi
Yue: Cantonese	
Jyutping	ging1 zai3 dak6 keoi1

Contents

- 1 History
- 2 The China Price
- 3 Ready-Made Garment (RMG)
- 4 List of SEZs
- 5 Economic policies of SEZs
- 6 See also
- 7 Notes
- 8 References
- 9 External links

History

Since the late 1970s, and especially since the 3rd Plenary Session of the 11th CPC Central Committee in 1978, the Chinese government has decided to reform the national economic setup. The basic state policy has focused on the formulation and implementation of overall reform and opening to the outside world.

During the 1980s, China passed several stages, ranging from the establishment of special economic zones and open coastal cities and areas, and designating open inland and coastal economic and technology development zones.

Since 1980, China has established special economic zones in Shenzhen, Zhuhai and Shantou in Guangdong Province and Xiamen in Fujian Province, and designated the entire province of Hainan a special four special econmic were formed in the east of China.

In August 1980, the National People's Congress (NPC) passed "Regulations for The Special Economy Zone of Guangdong Province" and officially designated a portion of Shenzhen as the Shenzhen Special Economy Zone (SSEZ).

In 1984, China further opened 14 coastal cities to overseas investment: Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang and Beihai.

Since 1988, mainland China's opening to the outside world has been extended to its border areas, areas along the Yangtze River and inland areas. First, the state decided to turn Hainan Island into mainland China's biggest special economic zone (approved by the 1st session of the 7th NPC in 1988) and to enlarge the other four special economic zones.

Shortly afterwards, the State Council expanded the open coastal areas, extending into an open coastal belt the open economic zones of the Yangtze River Delta, Pearl River Delta, Xiamen-Zhangzhou-Quanzhou Triangle in south Fujian, Shandong Peninsula, Liaodong Peninsula (Liaoning Province), Hebei and Guangxi.

In June 1990, the Chinese government opened the Pudong New Area in Shanghai to overseas investment, and additional cities along the Yangtze River valley, with Shanghai's Pudong New Area as its "dragon head."

Since 1992, the State Council has opened a number of border cities, and in addition, opened all the capital cities of inland provinces and autonomous regions.

In addition, 15 free trade zones, 32 state-level economic and technological development zones, and 53 new and high-tech industrial development zones have been established in large and medium-sized cities. As these open areas adopt different preferential policies, they play the dual roles of "windows" in developing the foreign-oriented economy, generating foreign exchanges through exporting products and importing advanced technologies and of "radiators" in accelerating inland economic development.

Primarily geared to exporting processed goods, the five special economic zones are foreign-oriented areas which integrate science and industry with trade, and benefit from preferential policies and special managerial systems. In 1999, Shenzhen's new-and high-tech industry became one with best prospects, and the output value of new-and high-tech products reached 81.98 billion yuan, making up 40.5% of the city's total industrial output value.

Since its founding in 1992, the Shanghai Pudong New Zone has made great progress in both absorbing foreign capital and accelerating the economic development of the Yangtze River valley. The state has extended special preferential policies to the Pudong New Zone that are not yet enjoyed by the special economic zones. For instance, in addition to the preferential policies of reducing or eliminating Customs duties and income tax common to the economic and technological development zones, the state also permits the zone to allow foreign business people to open financial institutions and run tertiary industries. In addition, the state has given Shanghai permission to set up a stock exchange, expand its examination and approval authority over investments and allow foreign-funded banks to engage in RMB business.

In 1999, the GDP of the Pudong New Zone came to 80 billion yuan, and the total industrial output value, 145 billion yuan.

In May 2010, the PRC designated the city of Kashgar in Xinjiang a SEZ. Kashgar's annual growth rate was 17.4 percent from 2009, and Kashgar's designation has since increased tourism and real estate prices in the city. Kashgar is close to China's border with the independent states of former Soviet Central Asia and the SEZ seeks to capitalize on international trade links between China and those states.[1]

The China Price

The "China Price" refers to the pricing pressure placed on developing economies by Western brands and companies seeking the lowest possible product unit price. "Dreaded by competitors, 'the China price' became 'the lowest price possible' the hallmark of China's incredibly cheap, ubiquitous manufacturers." (2007)[2] As China's economy, working conditions and therefore labor costs improved, Bangladesh special export zone could offer even lower prices than China, making it the "new China." (McKinsey 2011) [3] In his chapter entitled *Li & Fung, Ltd.: An agent of global production* (2001), Cheng used Li & Fung as a case study in the international production fragmentation trade theory through which producers in different countries are allocated a specialized slice or segment of the value chain of the global production. Allocations are determined based on "technical feasibility" and the ability to keep the lowest final price possible for each product, this case "the China Price". In 1995 Li & Fong, following its acquisition of an established British trading company, Inchcape Buying Services, expanded its customer network in Europe and its producer network in South Asia, including Bangladesh, India, Pakistan, and Sri Lanka.[4] From 2003 to 2006 Alexandra Harney was a South China correspondent for the *Financial Times*. In her book entitled *The China Price: The True Cost of Chinese Competitive Advantage*, Harney described how Western companies seeking the lowest product unit price, in 2006, "the China price", use pricing pressure in developing countries that results in perilous working conditions and environmental damage. Harney revealed the impact of lack of transparency and ubiquitous corruption. Harney described how direct sourcing, which cuts out the traditional middlemen, extended deeper into the supply chain to include logistics, production and product design effectively replacing and consolidated the role of middlemen. The unintended consequences include largely unregulated, unsafe, unhealthy and unfair working conditions and environmental damage.[5]

Ready-Made Garment (RMG)

China is the world's largest exporter of Western brands ready-made garments(2013) and Bangladesh is the second.[6] McKinsey & Company predict that Bangladesh will become the largest ready-made garments (RMG) manufacturer by 2016 [3] as China extends production for domestic consumption.

List of SEZs

As part of its economic reforms and policy of opening to the world, between 1980 and 1984 China established special economic zones (SEZs) in Shantou, Shenzhen, and Zhuhai in Guangdong Province and Xiamen in Fujian Province and designated the entire island province of Hainan a special economic zone.

In 1984, China opened 14 other coastal cities to overseas investment (listed north to south): Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang, and Beihai.

Then, beginning in 1985, the central government expanded the coastal area by establishing the following open economic zones (listed north to south): Liaodong Peninsula, Hebei Province (which surrounds Beijing and Tianjin), Shandong Peninsula, Yangtze River Delta, Xiamen-Zhangzhou-Quanzhou Triangle in southern Fujian Province, Pearl River Delta, and Guangxi.

Type	City	Province
Special Economic Zone, City	Shenzhen	Guangdong
	Zhuhai	Guangdong
	Shantou	Guangdong
	Xiamen	Fujian
	Kashgar	Xinjiang
Special Economic Zone, Province	No city	Hainan
Coastal Development Areas	Dalian	Liaoning
	Qinhuangdao	Hebei
	Tianjin	Tianjin
	Yantai	Shandong
	Qingdao	Shandong
	Lianyungang	Jiangsu
	Nantong	Jiangsu
	Shanghai	Shanghai
	Ningbo	Zhejiang
	Wenzhou	Zhejiang
	Fuzhou	Fujian
	Guangzhou	Guangdong
	Zhanjiang	Guangdong
	Beihai	Guangxi

In 1990, the Chinese government decided to open the Pudong New Zone in Shanghai to overseas investment, as well as more cities in the Yang Zi River Valley.

Since 1992, the State Council has opened a number of border cities and all the capital cities of inland provinces and autonomous regions.

In addition, 15 free-trade zones, 32 state-level economic and technological development zones, and 53 new and high-tech industrial development zones have been established in large and medium-sized cities. As a result, a multilevel diversified pattern of opening and integrating coastal areas with river, border, and inland areas has been formed in China.

Economic policies of SEZs

1. Special tax incentives for foreign investments in the SEZs.
2. Greater independence on international trade activities.
3. Economic characteristics are represented as "4 principles":
    1. Construction primarily relies on attracting and utilizing foreign capital
    2. Primary economic forms are Sino-foreign joint ventures and partnerships as well as wholly foreign-owned enterprises
    3. Products are primarily export-oriented
    4. Economic activities are primarily driven by market forces

SEZs are listed separately in the national planning (including financial planning) and have province-level authority on economic administration. SEZs local congress and government have legislation authority.

Leong (2012) investigates the role of special economic zones (SEZs) in liberalizing the Chinese and Indian economies and their impact on economic growth. The policy change to a more liberalized economy is identified using SEZ variables as instrumental variables. The results indicate that export and FDI growth have positive and statistically significant effects on economic growth in these countries. The presence of SEZs increases regional growth but increasing the number of SEZs has negligible effect on growth. The key to faster economic growth appears to be a greater pace of liberalization.

See also

- Metropolitan regions of China
- Economy of China
- Special Administrative Region of the People's Republic of China

Notes

1. Fish, Isaac Stone (2010-09-25). "A New Shenzhen". Newsweek. Retrieved 2011-07-29.
2. "Review of Alexandra Harvey's 'The China Price: The True Cost of Chinese Competitive Advantage' " **254** (49). Publishers Weekly. December 2007: 45.
3. Bangladesh's ready-made garments landscape; the challenge of growth (PDF) (Report). McKinsey & Company. 2011.
4. Cheng, Leonard K. (2001). Leonard K. Cheng, Henryk Kierzkowski, eds. *Li & Fung, Ltd.: An agent of global production in* Global Production and Trade in East Asia. Springer. pp. 317–323. ISBN 978-1-4613-5647-9.
5. Harney, Alexandra (2008). '*Getting Over China' in The China Price: The True Cost of Chinese Competitive Advantage*. Penguin. p. 352.
6. Paul, Ruma; Quadir, Serajul (4 May 2013). "Bangladesh urges no harsh EU measures over factory deaths". Dhaka: Reuters.

References

- Chee Kian Leong, 2007, A Tale of Two Countries: Openness and Growth in China and India [1] (http://www.degit.ifw-kiel.de/papers/degit_12/C012_042.pdf), Dynamics, Economic Growth, and International Trade (DEGIT) Conference Paper.
- Chee Kian Leong, (forthcoming), Special economic zones and growth in China and India: an empirical investigation,[2] (http://link.springer.com/article/10.1007%2Fs10368-012-0223-6) International Economics and Economic Policy.

External links

- Chung-Tong Wu. China's special economic zones: five years later (http://sunzi1.lib.hku.hk/hkjo/view/50/5000240.pdf) - Asian Journal of Public Administration
- Special Economic Zones: Lessons from China by Bhaskar Goswami (http://www.indiatogether.org/2007/feb/opi-sezschina.htm)
- Coordination of tax legislation of special zones in Mainland China (http://www.rwlawyers.com/info/viewinfo1.asp?contid=622)
- Support service to enter development Zones to Mainland China (http://www.mainlandchinadevelopment.com)

Categories: Special Economic Zones of China | Economic development in China | Industry in China | Trade of China

---

- This page was last modified on 11 February 2016, at 12:06.