

CHINA'S SEZS OVERSEAS

Yu ZHENG, Fudan University



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Outline



- Overview of China's overseas SEZs
- Development of China's SEZs in Africa
- Chinese experience in SEZ development
- Multi-level governance and policies of SEZs

SEZ Timeline



2006

MOFOCM announced China's initiative to establish 50 SEZs worldwide.

2007

MOFCOM hosted the very first national SEZs work conference in Beijing.

2012

According to the State Council, bidding was no longer adopted for SEZs. Companies became the dominant player in establishing oversea zones.

2015

SEZ investment promotion mechanism was established. SEZs were integrated into the Silk Road Fund.

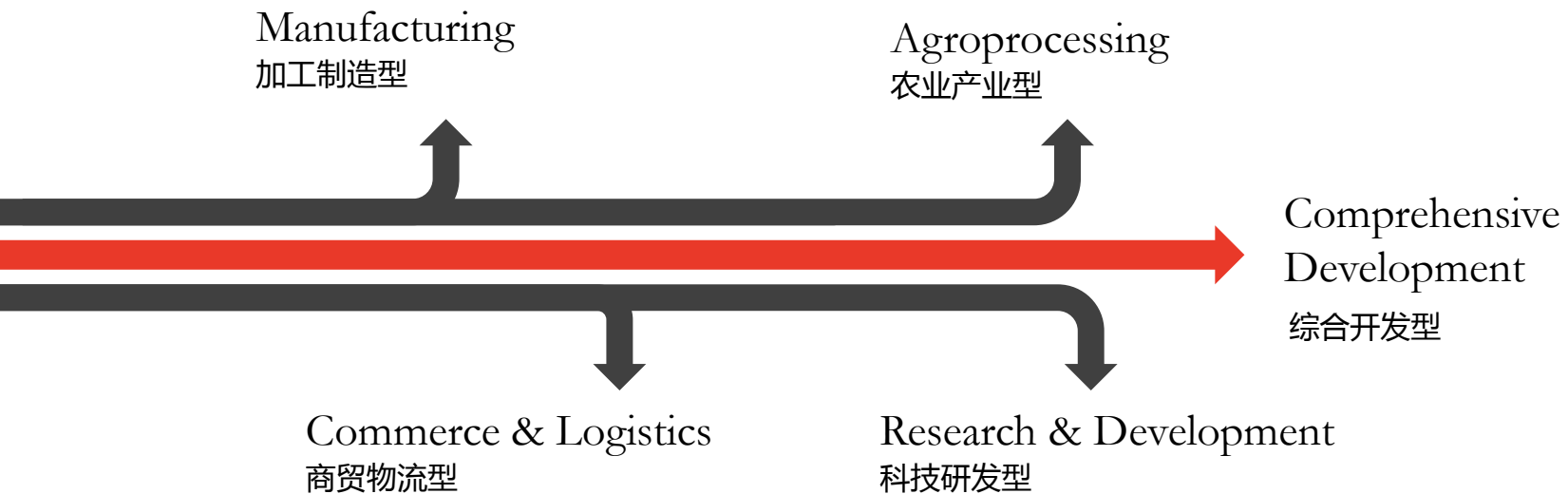
Current Status



As of the end of 2016,

- China has established **77** SEZs in **36** countries.
- **1522** enterprises in these SEZs, creating around **177,000** jobs for local community.
- Cumulative investment totaled US\$ **24.2 billion**.
- Gross value of output reached US\$ **70.3 billion**.
- A total of US\$ **2.67 billion** of taxes were turned over to host countries.

Major Categories of SEZs

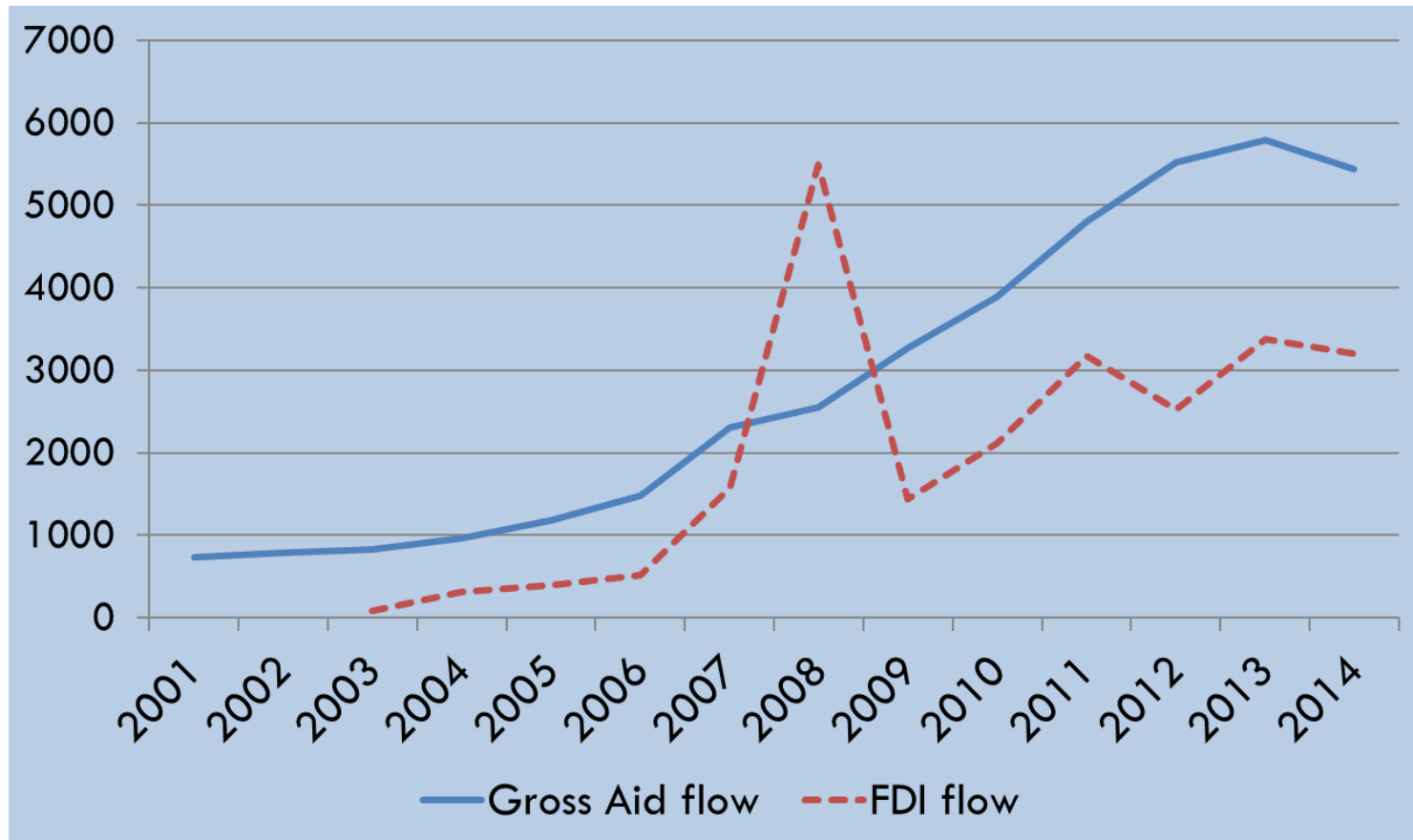


Geographical Distribution

COCZ 中国境外经贸合作区



China's development finance to Africa



Source: aid data from JICA; FDI data from MOFCOM

SPECIAL ECONOMIC ZONES IN AFRICA IN COOPERATION WITH CHINA



Source: own research

Overview of Chinese SEZs in Africa

Country	Zone name	Location	Tender year	Original Chinese developer/lead developer	Status	Area (phase I)	Area (Total)
Algeria	Jiangling	Oran City	2007	Jiangling Automobile Co.	Suspended	120	500
Egypt	China-Egypt Suez	Suez	2007	Tianjin TEDA Co.	Operating	134	634
Ethiopia	Eastern	Dukem, Addis Ababa	2007	Yonggang /Qiyuan Investment Group	Operating	233	1000
Mauritius	Jinfei	Terre Rouge	2006	Tianli/Three Shanxi companies	under construction	70	211*
Nigeria	Lekki	Lagos State	2007	CCECC	Operating	109	1000
Nigeria	Ogun-Guangdong	Ogun State	2006	Guangdong XinGuang Group	Operating	250	2000
Zambia	Zambia-China	Chambishi / Lusaka	2006	China Nonferrous Metals Corporation	Operating	200	1158

Source: Tang Xiaoyang 2015

A New Model of Development Cooperation

Financing Infrastructure



A New Model of Development Cooperation

Promoting Industrialization



Selective SEZs in Ethiopia

- Eastern industrial park
 - FDI-oriented SEZ, owned by a private Chinese company.
- Bole Lemi industrial park
 - Export-oriented SEZ, owned by the Ethiopia government (IPDC), constructed by Chinese company.
- Hawassa industrial park
 - GVC-oriented SEZ, owned by the Ethiopia government, constructed by Chinese company.

Industrial Parks in Ethiopia

Hawassa industrial park



Eastern industrial park



Bole Lemi industrial park



How to make SEZs work?

- ▣ Macro-level: political will of ‘the top’ and implementation incentives of ‘the bottom’.
- ▣ Meso-level: preferential policies and regulatory consistency
- ▣ Micro-level: SEZ planning and management

Macro-level Chinese Experience

Positive

- Meritocratic competition focusing on economic achievements
- Fiscal autonomy under tax sharing arrangement
- Gradualist national reform, flexible local experiments

- “Growth at all costs” → environmental degradation
- Lack of transparency → corruption

Negative

Meso-level Chinese Experience

Positive

- Strong commitment to market liberalization
- Development zones as the focal point of experiments
- Multiple channels of finance

- Periodic investment fever
- High government debt
- Inconsistent policy implementation

Negative

Micro-level Chinese Experience

Positive

- Good infrastructure
- Streamlined regulations
- Integration of industrial, commercial, and residential parks

- Over-competition
- Unclear administrative boundary
- Lack of coordination

Negative

SEZs: Macro-level Governance and Policies



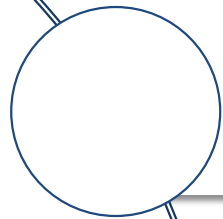
Meritocratic appointment and promotion system for officials, based on measurable criteria

Training & capacity building to help officials understand business challenges

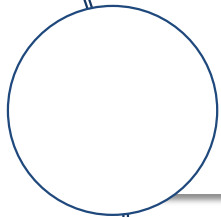
Ensure effective implementation and enforcement of legislation and policies

Grant local governments autonomy to encourage policy experiments.

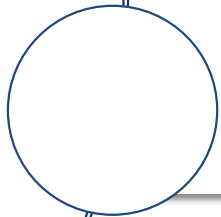
SEZs: Meso-level Governance and Policies



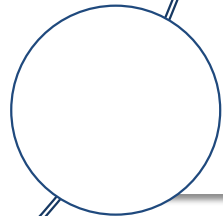
Align SEZ development with local economic context



Maintain prudent financial policy



Raise fund through multiple channels



Implement regulations in a consistent manner

SEZs: Micro-level Governance and Policies



Streamline regulations through one-stop-shop

Build logistical, services, and customs capacity

Encourage investment in relevant education: e.g. vocational schools and training

Invest in basic infrastructure

Conclusion

- SEZs have become an effective mechanism to drive development and spread prosperity.
- China's SEZs overseas have marked a new trend of development cooperation.
- Successful development of SEZs requires multi-level governance and policy coordination.