



Cross-border economic zone as strategy for economic corridor development: concept, rationale and driving forces in the border areas of PR China

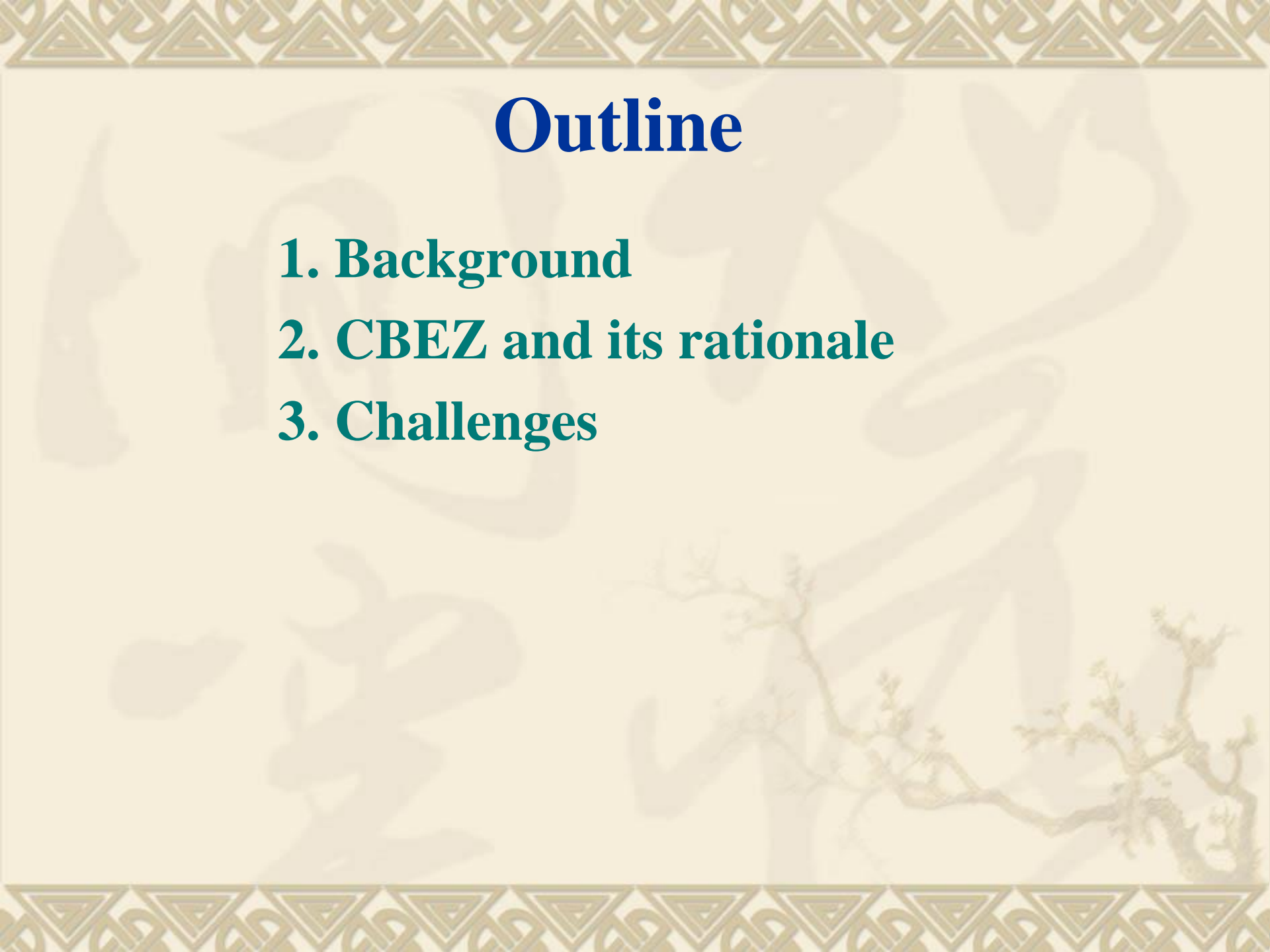
Zanxin Wang
Yunnan University
Oct. 21, 2016

Disclaimer:

The views expressed in this document are those of the author, and do not necessarily reflect the views and policies of the Asian Development Bank (ADB), its Board of Directors, or the governments they represent. ADB does not guarantee the accuracy of the data included in this document, and accept no responsibility for any consequence of their use. By making any designation or reference to a particular territory or geographical area, or by using the term “country” in this document, ADB does not intend to make any judgments as to the legal or other status of any territory or area.



Outline

- 1. Background**
 - 2. CBEZ and its rationale**
 - 3. Challenges**
- 

1. Background

Why CBEZs?

China's objective: develop a balanced well-being society



Action: Western China Development Program



Potential measure: open up the border area



CBEZ initiative of Yunnan (China)



**The setup of
CBEZs**



Cooperation mechanism: GMS economic cooperation mechanism (NSEC), “10+3” cooperation mechanism, ASEAN-China FTA



GMS countries' aspiration for economic development

1. Background

Unbalanced economic growth between the eastern and western China

Table 1. Comparison of the Economic Development between Eastern and Western PRC

Region	GDP (trillion CNY)				GDP per Capita CNY/person)			
	1990	2000	2010	2015	1990	2000	2010	2015
Eastern PRC	0.88	5.57	25.1	37.3	2,078	12,354	49,185	72,542
Western PRC	0.35	1.67	8.14	15.5	1,083	4,668	22,451	39,727
PRC	1.87	9.92	40.1	67.6	1,644	7,858	29,992	50,210

Sources: National Bureau of Statistics (NBSC), 1991, 2001, 2011, 2016.

1. Background

SEZ as a catalyst for economic growth in China

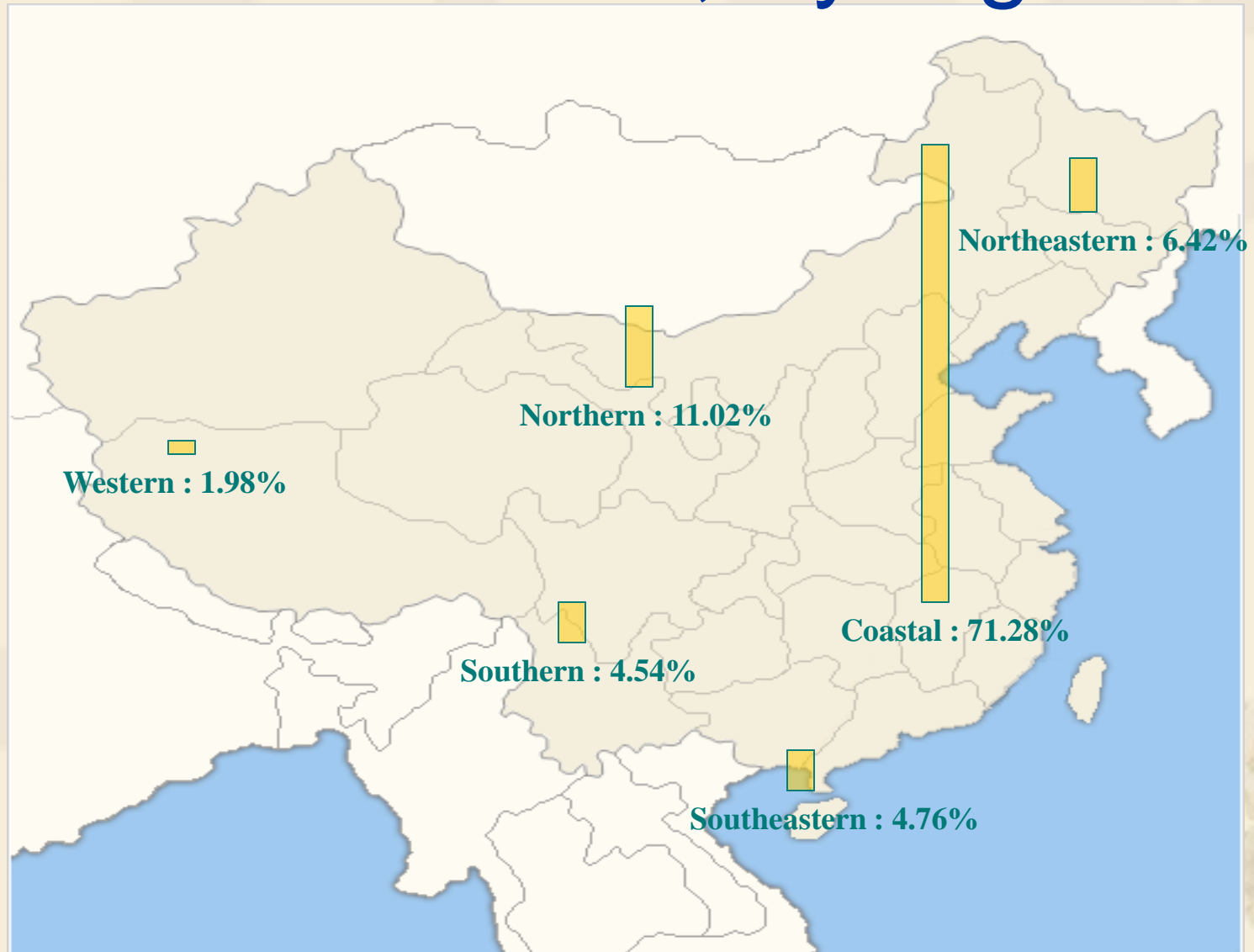
- ❖ Preliminary stage (1978-1983): A new policy granting foreign investment a legal status in China was proclaimed in 1979. Four pilot SEZs were established in Shenzhen, Zhuhai, Shantou and Xiamen.
- ❖ Expansion stage (1984-1991): the opening policy was expanded to other 14 coastal cities and inland provinces in 1984, such as Yangtze River Delta, Pear River Delta.
- ❖ In-depth and comprehensive development stage (1992-2000): After Mr. Deng's remarks made during his inspection tour to southern China, preferential policies for SEZs were provided to inland cities, such as Wuhan, Jiujiang & Chongqing.
- ❖ New historical period (2001—present): China's accession to WTO in Dec. 2001 brought China closer with the outside world.

Geographical Locations of Special Economic Zones, Economic and Technological Development Zones and Comprehensive Development Zones in China



Source:
Meng 2003

FDI in China, By region



1. Background

**Like SEZs in the coastal and inland China, CBEZ can
a catalyst for economic growth in the border areas.**

1. Background

Policies on CBEZ

- I. On June 29, 2010, The State Council of China enacted “Several options on the in-depth implementation of the Western-China Development Program”, in which cross-border economic cooperation is highlighted.
- II. In 2011, “Options on the development of Yunnan province into the bridgehead of Southwestern China” was enacted by the State Council of, which highlights the development of border economic belts, economic corridor between China and GMS countries, as well as the construction of CBEZ.
- III. In May 2012, the Chinese Central government enacted the “Planning on thriving border areas and improving people’s welfare”, which strategically made plans on the openness of border areas and the improvement of cross-border economic cooperation.



North-South Economic corridors

- ❖ Kunming—Hanoi-Hai Phong
- ❖ Kunming—Bangkok
- ❖ Kunming—Mandalay—Yangon
- ❖ Nanning--Hanoi

2. CBEZ and its rationale

Planned CBEZs

- Hekou (PRC) — Lao Cai (Vietnam) CBEZ
- Mohan (PRC) — Boten (Laos) CBEZ
- Ruili (PRC) — Muse (Myanmar) CBEZ
- Dongxing (PRC) — Mong Cai (Vietnam) CBEZ
- Pingxiang (PRC) — Dong Dang (Vietnam) CBEZ

The map displays the border region between China, Myanmar, Laos, and Vietnam. Three specific areas are circled in red and labeled 'ECONOMIC ZONE':

- Zone 1 (Northwest):** Located in Yunnan Province, China, near the Myanmar border. It includes the cities of Ruili and Muse.
- Zone 2 (Central):** Located in Guangxi Zhuang Autonomous Region, China, near the Laos border. It includes the cities of Hekou and Lao Cai.
- Zone 3 (South):** Located in the northern part of Laos, near the Myanmar border. It includes the city of Mohan.

Other geographical features and cities shown include:

- China:** Yunnan Province, Guangxi Zhuang Autonomous Region, Hanoi (Vietnam).
- Myanmar:** Mandalay, Yangon, Bhamo, Loi Lam, Tachilek, Mae Sai, Chiang Rai, Chiang Mai, Vientiane.
- Laos:** Luangnamtha, Pak Mong, Luangprabang, Xiengkhuang, Vang Vieng, Pakkading, Ban Lao, Vinh, Thanh Hoa, Nam Dinh, Haiphong, Cai Lan, Na Duong, Fancheng, Yulin, Wuzhou, Hechi, Liuzhou, Guilin, Hexian.
- Vietnam:** Hanoi, Vinh, Thanh Hoa, Nam Dinh, Haiphong, Cai Lan, Na Duong, Fancheng, Yulin, Wuzhou, Hechi, Liuzhou, Guilin, Hexian.
- Geographical Features:** Chindwin River, Salween (Thandayin) River, Ayeyarwady River, Sittoung River, Gulf of Tonkin, Bay of Bengal, Indian Ocean, Arabian Sea, Java Sea, Celebes Sea, South China Sea.
- Inset Map:** Shows the location of the study area within Southeast Asia, including countries like Sri Lanka, Cambodia, Vietnam, Philippines, Malaysia, Singapore, Indonesia, and Timor-Leste.

2. CBEZ and its rationale

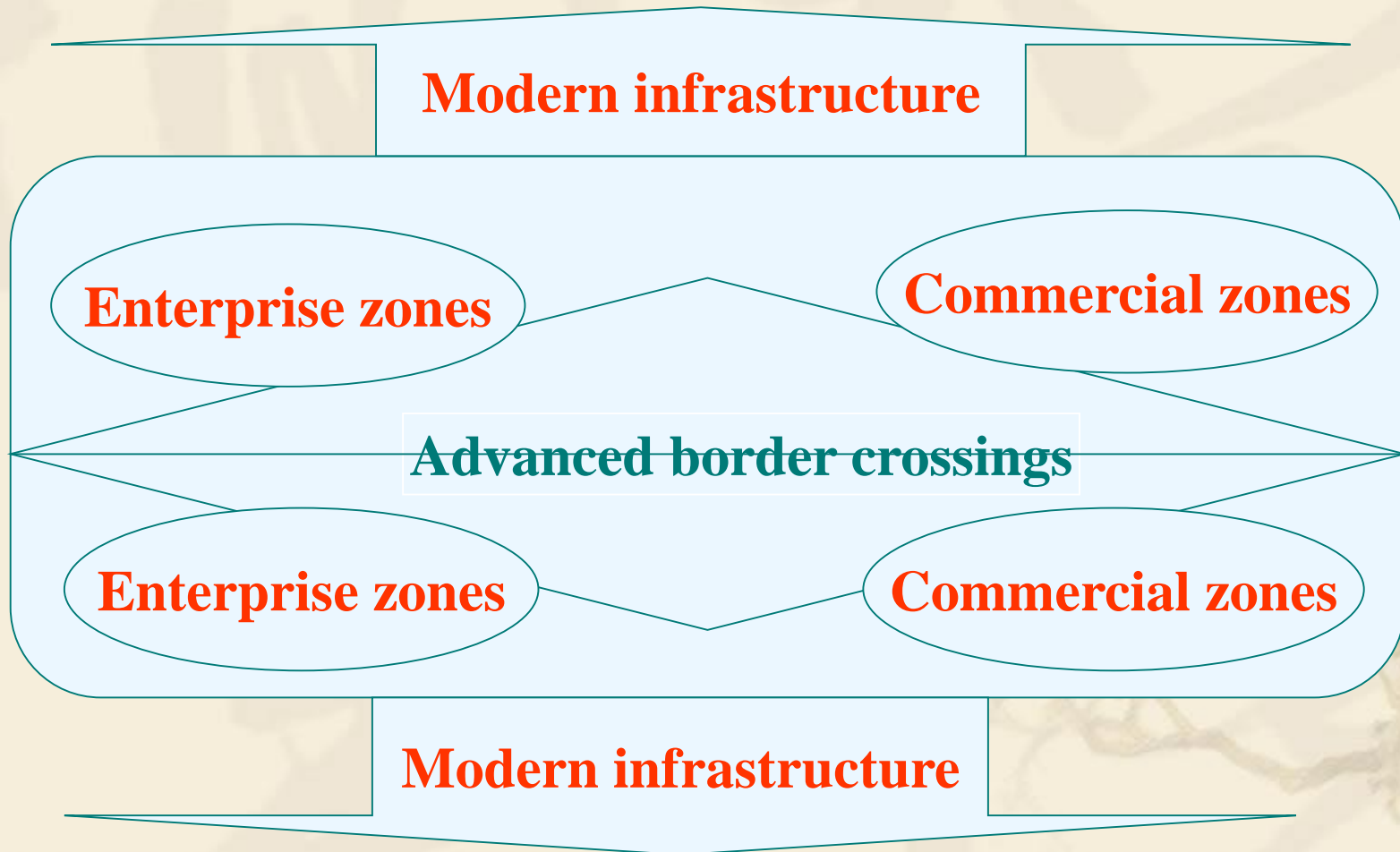
❖ What is cross-border economic zone?

CBEZ is an transnational economic zone in border area , which is supported with special policies of finance, taxation, investment, trade, custom regulation and supporting industrial development, and in which the flows of personnel, goods, fund and technology are concentrative and interactive.

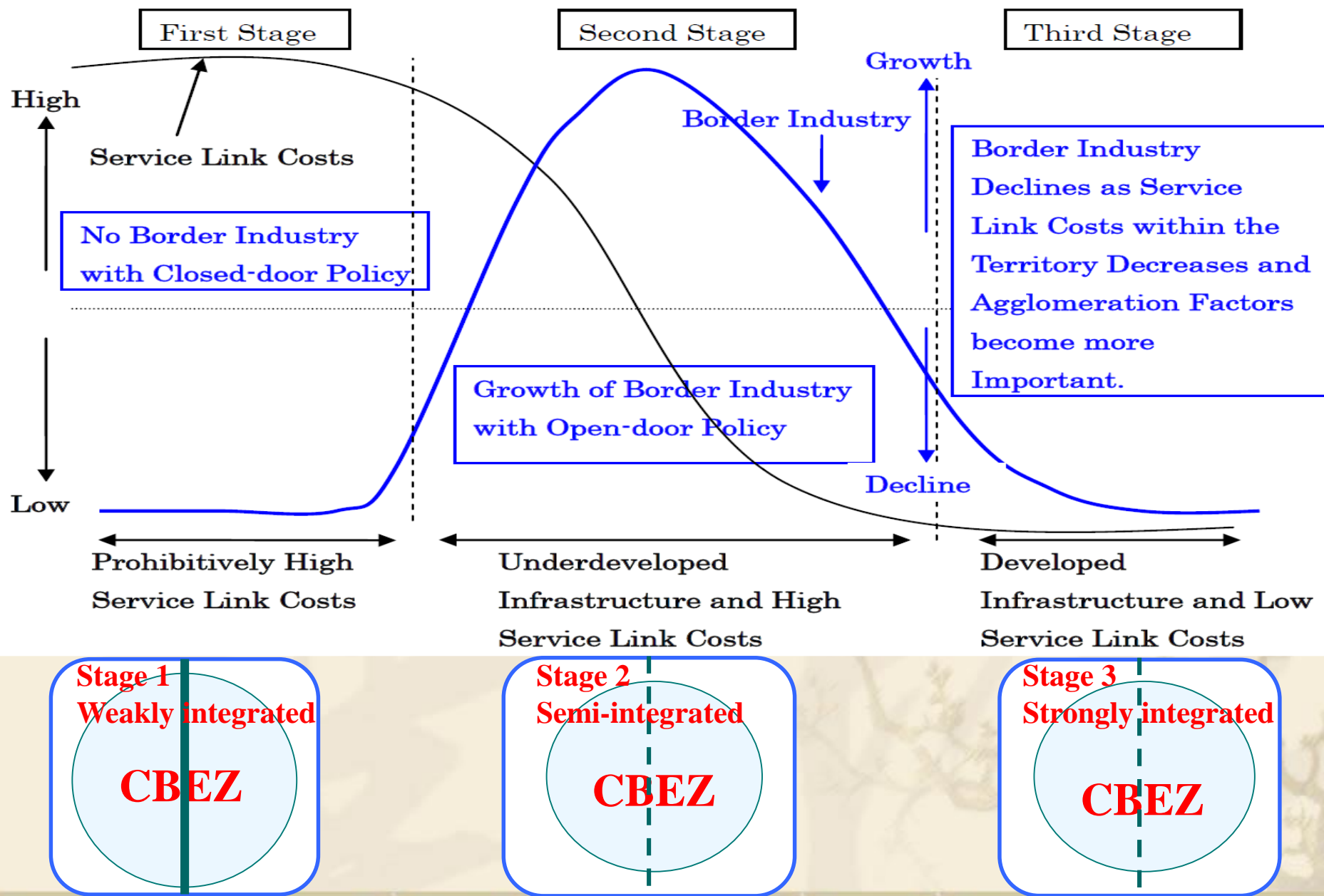
The objective of CBEZ is to exploit locational advantages of border areas and boost the economic and trade cooperation and development in the region.

2. CBEZ and its rationale

Four physical features of CBEZ



The development stages of CBEZ



2. CBEZ and its rationale

❖ Theoretical Rationale of CBEZ

- A CBEZ can make full use of the comparative advantages across the border, derived from complementary factor endowments, cross-border infrastructure services

- example:

- Fertilizer industry in China-Vietnam border area

- reduced border effects

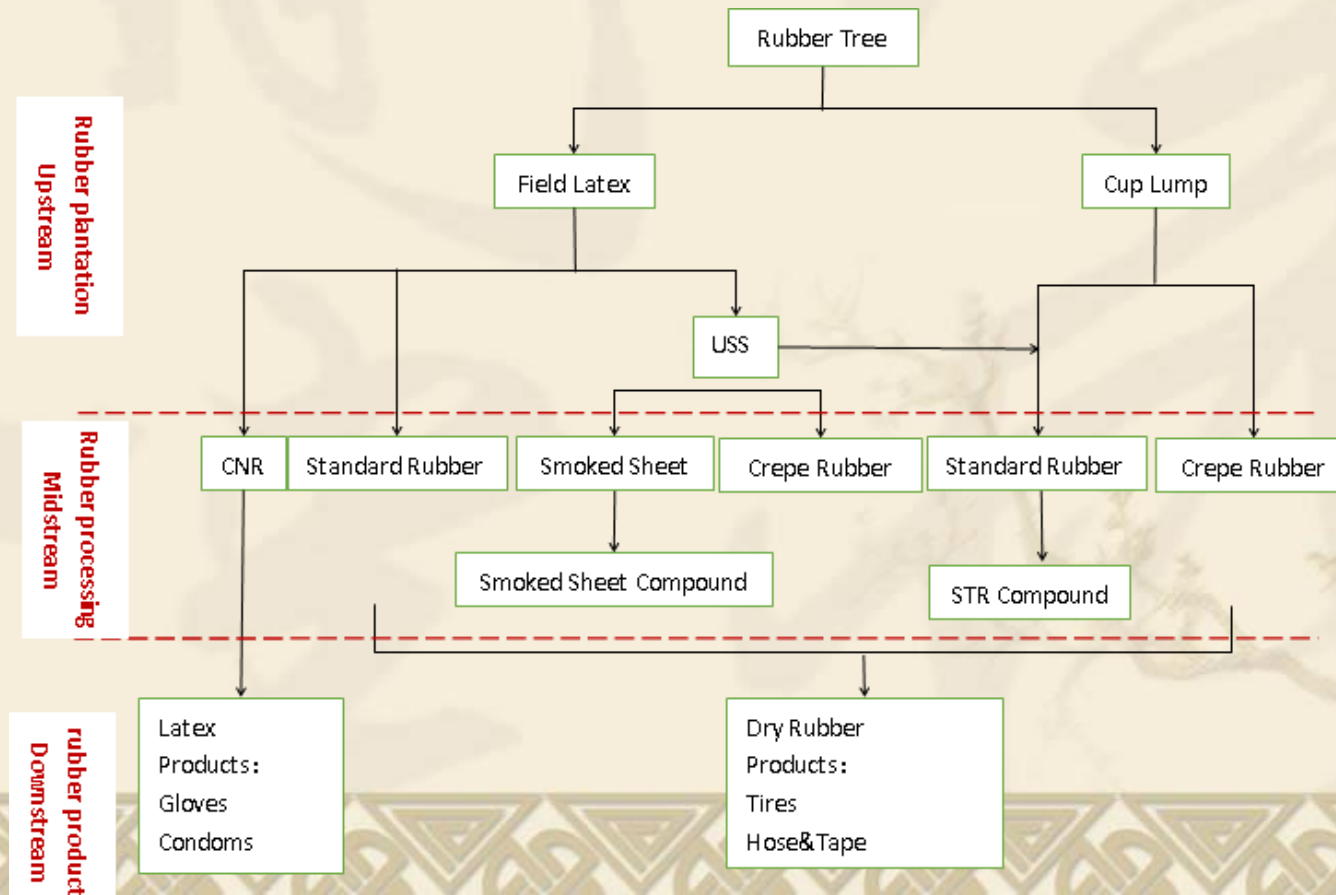
- example:

- Jade industry in China-Myanmar border area

2. CBEZ and its rationale

❖ Theoretical Rationale of CBEZ

- A BEZ can strengthen industrial links between the economies on both sides of border
- example: rubber industry



2. CBEZ and its rationale

❖ Theoretical Rationale of CBEZ

- A CBEZ can generate spillover effects for the economic development of neighboring areas, in particular, as it becomes a growth pole.
 - skilled labor
 - improved infrastructure
 - social capital
 - economies of scale

2. CBEZ and its rationale

❖ Strategic importance (effect) of CBEZ

- lower down the trans-boundary transaction cost;
- solve the issues of insufficient supply of trans-boundary public goods;
- provide a platform for local firms to enter the regional or global industrial chains;

2. CBEZ and its rationale

❖ Strategic importance (effect) of CBEZ

- achieve the scale of economy by enlarging the size of markets;
- optimize factor distribution and promote long-term economic growth driven by the agglomeration and specialized allocation of factors in integrated markets
- form an economic growth pole.

3. Challenges

- Underdeveloped economies
 - *Barriers to transportation, underdeveloped infrastructure, low level of industrialization, large poor population, and so on.*
- how can a CBEZ be merged into regional or global industrial chains?
 - *FDI is critical*

3. Challenges

- what are the policies effective for promoting the development of CBEZ?

 - *Incentive policies are important in attracting FDI in GMS.*

- what are the required institutional requirement?

 - *a high degree of formalization, centralization and delegation is required.*

3. Challenges

- what are the required institutional requirement?

※ *Formalization* is the explicit statement and open ratification of international behavioral rules;

※ *Centralization* is the governance of collective activities through a concrete and stable organizational structure and a supportive administrative apparatus;

※ *Delegation* means that a third party (i.e., CBEZ) has been granted authority to implement, interpret, and apply the rules; to resolve disputes; and (possibly) to make further rules.

-- A certain degree of sovereignty demisability is required.

3. ChallengeS

Table 2. Relationship between formalization, centralization and delegation and institutional forms

Formalization	Centralization	Delegation	Institution form
Low	Low	Low	Informal agreement
High	Low	Low	Self-enforcing agreement
High	High	Low, or medium	Ordinary formal international organization (Essential and most possible for CBEZ)
High	High	High	Supranational organization

Source: Revised from Tian (2005)



Thank you!

Comments are welcome!

