Current Status and Future Direction of China Development Zones

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Development Overview



Origin

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The world's first free port zone

In 1547, the Leghorn Port (outer harbor of Florence) in the Gulf of Genova was declared a free port.

It became the world's first location officially designated as a "free port".



Successful Practices of Special Economic Zones

- On July 15th, 1979, the central government and the State Council endorsed two separate reports submitted respectively by the Guangdong and Fujian Provincial Party Committees for the implementation of special policies and flexible measures regarding foreign economic activities of the two provinces. Soon after, "special export zones" were defined and later renamed "special economic zones".
- The special economic zones have made great progress by opening up to the outside world and introducing foreign investments into domestic industries.
- The first opening-up industrial park in China is the Shekou Industrial Zone in Shenzhen, which has given rise to the world-famous "Shekou model" and serves as a deposit of valuable experience conducive to future development of similar zones.



深圳的表展和开绘证明, 我们定于情书后的政策 考了准约,探注和 5

- In 1978, the CPC Central Committee and the State Council assigned Mr. Gu Mu to visit France, the Federal Republic of Germany, Switzerland, Denmark, and Belgium. The task of the delegation led by Mr. Gu was to study modern industries, agriculture, and technology, the causes of rapid economic development, and managerial experiences in socialized mass production.
- From September to November 1980, an investigation group comprised of members from several departments under the State Council visited eight export processing zones and free trade zones in Singapore, Sri Lanka, Malaysia, the Philippines, Mexico, and the Republic of Ireland.

The investigation group concluded the foreign experiences into five categories:

Sound legislation and high maneuverability; overall planning for development zones, which began small and then expanded larger gradually; flexible management system, with local governments and enterprises granted appropriate decision-making power; stress on personnel training; preferential trade and investment-attracting policies.



The Central Government's Decision-Making–Important Instructions by Deng Xiaoping in His "Southern Tour"

• In January 1984, Deng Xiaoping inspected the special economic zones in Shenzhen, Zhuhai and Xiamen. After returning to Beijing, he proposed to "open more special economic zones and a few port cities, which will not be called special economic zones but will enjoy the same preferential policies".





Decisions to Establish Development Zones

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城市座谈会纪要》的通知

中共中央和国务院同意《沿海部分城市座谈会纪 要》。现转发给你们,请认真研究、贯彻执行。

邓小平同志二月二十四日关于对外开放和特区工

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•From Mar. 26th to Apr. 6th, 1984, A Symposium in Part of Coastal Cities of China was held in Beijing as per the decision by the CPC Central Committee and the State Council.

•On May 4th, 1984, the summary of the meeting was endorsed by the the CPC Central Committee and the State Council to open up <u>14 other port cities in the coastal</u> area and set up <u>economic and</u> technological development zones in the places that are suitable to perform some policies applied to special economic zones.

Emerging Development Zone



On Aug. 5th, 1984, Comrades Wan Li, Gu Mu and Li Peng jointly selected the site of Dalian Economic and Technological Development Zone.



On Sep. 25th, 1984, the State Council approved to build the first economic and technological development zone– Dalian Economic and Technological Development Zone.





Types and Numbers of Development Zones

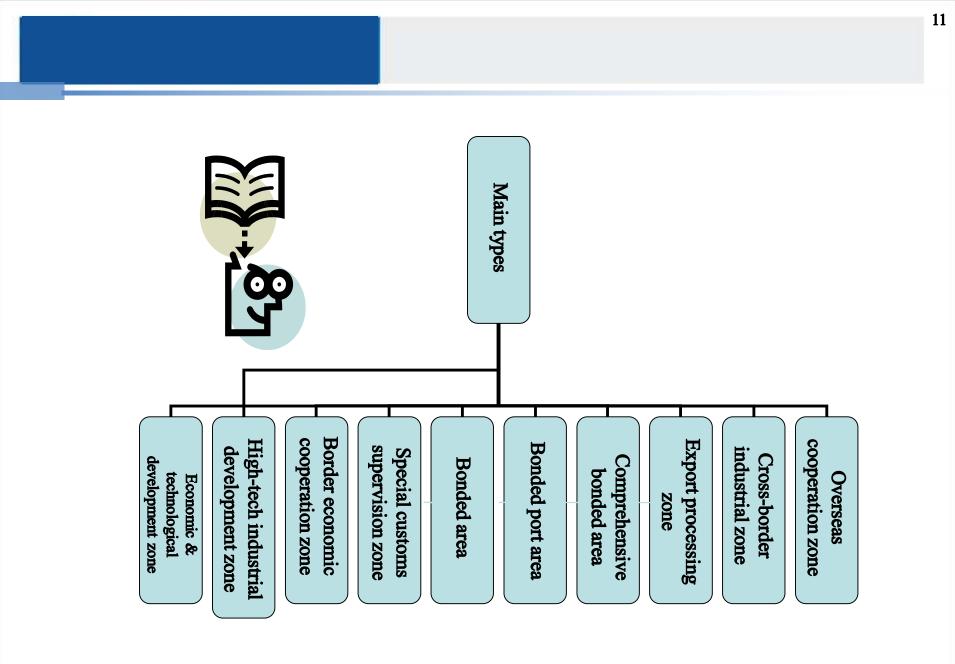
In 1979, Shenzhen Shekou Industrial Zone was groundbreaking in the construction and expansion of new China's development zones. According to the 2016 statistics of the National Development and Reform Commission (NDRC), the number of development zones of provincial level or above and some major provincial industrial clusters reaches 1, 568.

Main types of national development zones:

<u>National economic and technological development zones</u>, increasing from 14 coastal economic and technological development zones to 219;

National high-tech industrial development zone, growing from 54 to 145 in number. In addition, there are 140 export processing zones, comprehensive bonded zones, and other special customs supervision zones.





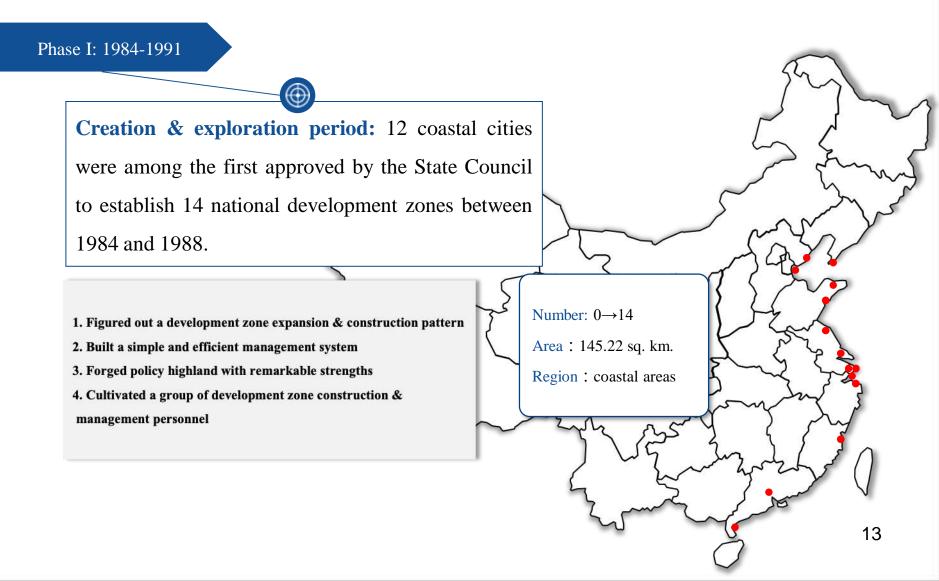
Achievements

-Taking national economic & technological development zones for example



Development Course

• Development course and characteristics



Development Course

• Development course and characteristics

Phase II: 1992-2002

Expansion & growth period: In 1992, Deng Xiaoping paid a second visit to southern China and indicated in his famous speech the directions for the country to fulfil the opening-up strategy and required to increase the number and scale of the development zones, setting off a new round of opening to the outside world and introducing foreign capital

Phase characteristics

 The developmental policy of "three highlights and one dedication" was defined;
 National economic & technological development showed rapid growth zones in number and scale;

- 3. The layout of these zones extended from coastal areas to inland China;
- 4. Multiple prodominant industrials like electronic information came int being;
- 5. Exploration and practices of "second business startup" was launched.

Industries, foreign funds, and earn of foreign exchange

through export;

Highlight

Dedication

Promotion of high-tech industries

Number: $14 \rightarrow 54$

Area : $145.22 \rightarrow 724.55$ sq. km.

Region : coastal areas→riverside cities bordering cities & inland provincial capitals and cities

Development Course

• Development course and characteristics

Phase III: 2003-now

Optimization & improvement period: The development zones encountered with unceasingly changes and new opportunities and challenges along with China's joining the WTO, economy becoming further globalized, and the outbreak of international financial crisis. The concept of scientific outlook on development served as a guidance for the development zones to step into a new stage of optimization and improvement.

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Phase characteristics

- 1. The development guideline gone through twice progressive evolution;
- 2. The economy of national economic & technological zones occupied one tenth of the total nationwide;
- 3. The layout of these zones was advanced in depth across the country;
- 4. The developmental quality of these zones saw outstanding improvement;
- 5. The reform on system and mechanism was propelled in depth;
- 6. The development of these zones were included into national planning.



Improvement of foreign capital quality, expansion of modern manufacturing industries, and optimization of export structure;

Dedication to the expansion of high-tech industries and high valueadded services;

Promotion of development zones to multi-functional integrated industrial districts

Number: $54 \rightarrow 215$

Area: swift growth

Region: eastern, central and western China, especially central and western areas soaring in number

system & mechanism vitality;



Advanced manufacturing & modern services, overseas & domestic investments, economic development & social harmony; Improvement of developmental quality & level, and reinforcement of

Transformation of national development zones into industry 165 used multi-functional integrated zones

- To be an important vector driving regional economic development & implementing regional development strategy;
- To be a vanguard to build a new open economy system and foster & introduce the new strengths of foreign capital;
- To be a demonstration zone to propel scientific and technological innovation & green intensive development.



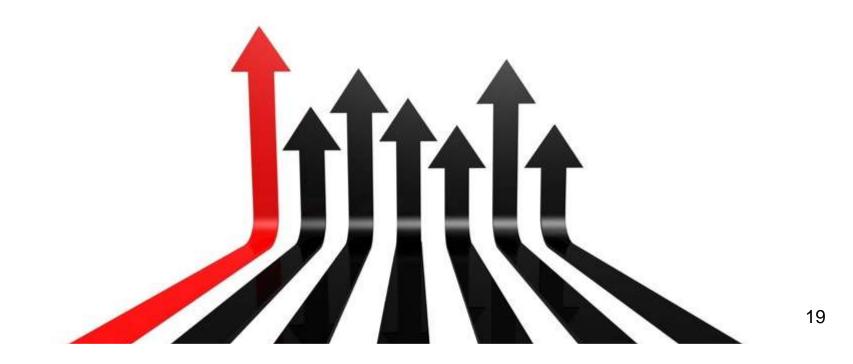
Four Transformations

• Transformation from speed to quality, from government orientation to market orientation, from homogeneous competition to differential development, and from hard environment to soft environment.



- The development zone administration committees shall concentrate on the establishment of regulatory frameworks, reinforcement of supervision, and maintenance of fair competitive environment. Meanwhile, functions like construction, investment attraction, operation, management and even in-zone services shall be gradually commissioned to other firms, intermediary organizations or other market entities.
- These efforts will raise the efficiency of market-allocated resources and stimulate robust market activities.
- Administrative cost can be reduced and governmental service efficacy greatly improved.

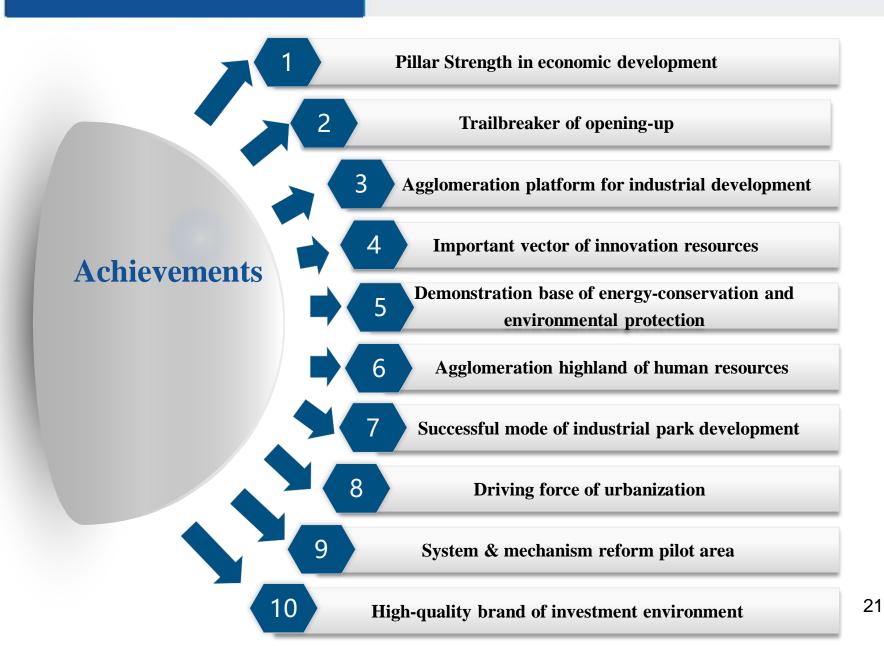
To realize differential development is realized based on previous strengths, selfcharacteristics and resource endowment, allowing more industries to form quality agglomeration and promote further their innovation capacities and industrial added values.



At the early stage of establishment, the development zones were requested to focus more on hard investment environment. But at present, the companies and investors intending to move into these zones hope that, after the hard environment reaches to a certain level, the governments can improve their service levels, administrative efficacies, and ensure high returns on investment by improving the transparency in laws & regulations, and creating favorable business environment.

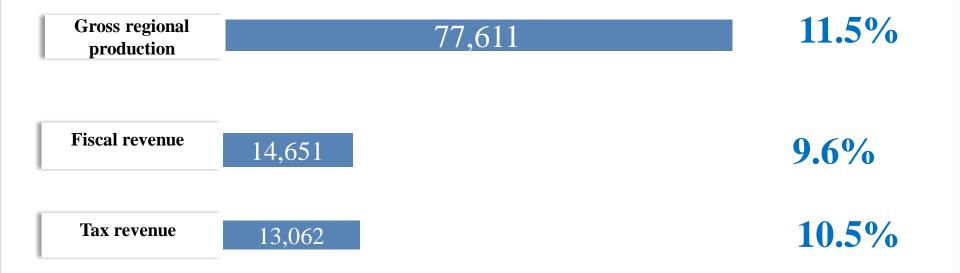


Achievements





% of the total nationwide



•

(II) All-round optimization of the open economic pattern

■It is to accelerate the cultivation of new advantages in foreign trade competition based on technology, standards, brands, quality, and services, and realize standard, international, and branded development.

To allow part of national economic & technological development zones to "go out" to invest in and construct industrial parks and economic & trade cooperation zone abroad.

By the end of the "12th Five-Year" Plan, the national economic & technological development zones nationwide used over 600 billion US dollars of re-investments by foreign capital and foreign-funded companies, with the maximum degree and the highest level in foreign capital introduction.

By the end of the "12th Five-Year" Plan, 219 zones as such registered a total import-export volume of 4,757.5 billion yuan, accounting for 19.4% of national total.



Achievements

(III) Agglomeration platform for industrial development

National ecomonic & technological development zones



Increasingly consolidated

leading industries



E-information

New energy



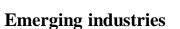
Automobile industry



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Food industry



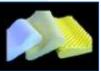


in the ascendant



Service industries flourishing





New material



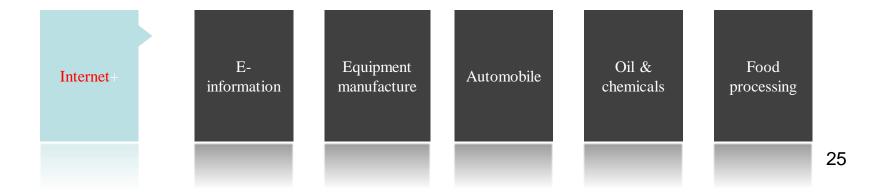
Equipment manufacture



Energy-conservation & Environmental protoction

Bio-medicine

- The backbone roles of e-information, equipment manufacture, automobile industries, oil & chemicals, and food processing keep intensifying. By the end of the "12th Five-Year"Plan, 219 national economic & technological development zones reached 20,200 billion yuan of total industrial output above designated size, increasing by 8.2% compared to previous years.
- The stragetic emerging industries will form a group of new economic growth points. By the end of the "12th Five-Year"Plan, the total industrial output of more than half of these industries in the national national economic & technological development zones took up over 20% of the total industrial output above designated size.
- A modern service system covering all the process from production to manufacture was forged, and the "Internet+" entrepreneurial ecology developed, and the new model innovation formed, such as headquarters economy and e-cmmerce.



(IV) Regional innovation shows efficiency

By the end of the "12th Five-Year"Plan, more than 10,136 high-tech enterprises in 219 national economic & technological development zones became the important vectors of innovation resources and the high-tech research & development and results transformation bases of China.

A diversified and multi-channel investment & financing service system was constructed based on Angel investment, venture investment, bond financing, and equity financing.

A series of customerized products was developed, such as pledge by options & enterprise equities, loan-debt-share combined investment mechanism, and pledge by patents.

The effective mechanism integrating governmental financial supports in science and technology with the credit funds of financing institutions and the investments of private venture capital was explored.







Demonstration base of energy-conservation and environmental protection

National economic & technological development zones in 2015

Energy consumption per gross regional production



0.34 tons standard coal/10,000 yuan

50%

of the total nationwide

and

Sulfur dioxide emission per output and chemical oxygen demand per output are far lower than the national average.



National circular economy pilot zone

ISO14000 Environmental quality system certification

14000 national demonstration Zone certification

Intensive economizing use of land resources

The industrial land use is repurchased and transferred by means of innovation, and construction land reserve is applied to vitalize the incentive mechanism and the withdrawl mechanism for vacant land lots and inefficient industrial lands.
By the end of the "12th Five-Year" Plan, 90 districts per land area in 90 national economic & technological development zones contributed 1.2 billion yuan/sq. km. of total output, with an average annual growth of 1.6%.



Industrial planning



Plan for annual land use





Overall planning of land use



Investment attracting planning

Successful mode of industrial zone development

National economic & technological development zones

Under the context of scarce national original investment in the national economic & technological development zones, the multi-channel and multi-path financing platforms have been set up to collect money for the initial construction and expansion of these zones.

Successful development mode of "Capital circulation"

✓ **Development principle:** "uniform planning, progressive implementation, rolling development"

✓ **Financing channel:** credits, introduction of foreign developers, project financing, transfer of land use right, finance division, listing on capital markets

✓ **Rolling development:** land transfer revenues and tax revenues invested into new land lots for rolling and sustainable development.

• Driving force of Urbanization

National economic & technological development zones



✓ Largely enhanced the level of urbanization, provided thousands of jobs, and boosted urbanization of population;

✓ Expanded urban space, enlarged urban areas, and constructed new cities;
✓ Elevated urban functions, and promoted effective allocation of production elements; and

 \checkmark Facilitated rural-urban integration development, and complemented the advantages of the development zones and surrounding cities and towns to realize harmonious development.

• Institutional mechanism reform pilot site

National-level economic and technological development zone



Three dimensions for innovation of mechanism:

✓Management mechanism (vertical dimension): "Simplified and high-quality organization, with full authorities of upper level, and independent financial management"

 \checkmark Cooperation mechanism with local district (horizontal dimension): established intimate and win-win relationship with the local district government with regard to investment attraction, fiscal levy, municipal construction, environmental protection and district management.

✓ Operation mechanism (internal dimension): made pioneering exploration in terms of HR management, investment & financing, land utilization, social security and environmental protection, and created the "one window" for external affairs, "one stop" office, "one package" service and other investment and service modes

Achievements

High quality of investment environment

National-level economic and technological development zone

✓ Improved investment environment in the park, providing high-class platform for establishing

centered modern industry cluster

✓ Hard environment for investment: sticking to high starting point for planning and highstandard construction with intensified investment of infrastructures, obtained some development zones with industry settlement condition and informatization level under domestically leading and internationally advanced standard.

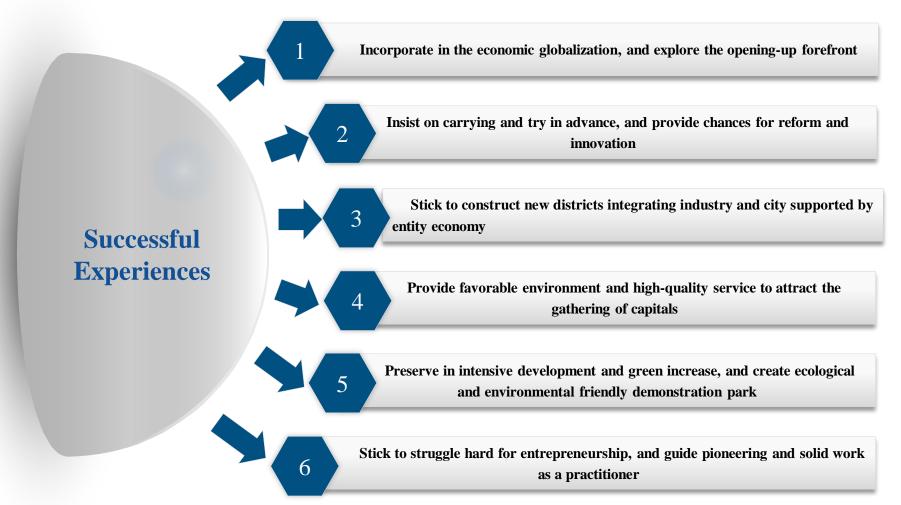
 \checkmark Soft environment for investment: provide the whole-process tracking service covering investment negotiation, prior-period preparation and operation process for the investors thorugh "one stop" service platform, so as to create a soft environment with guideline of "valued, befriend, and reassure".



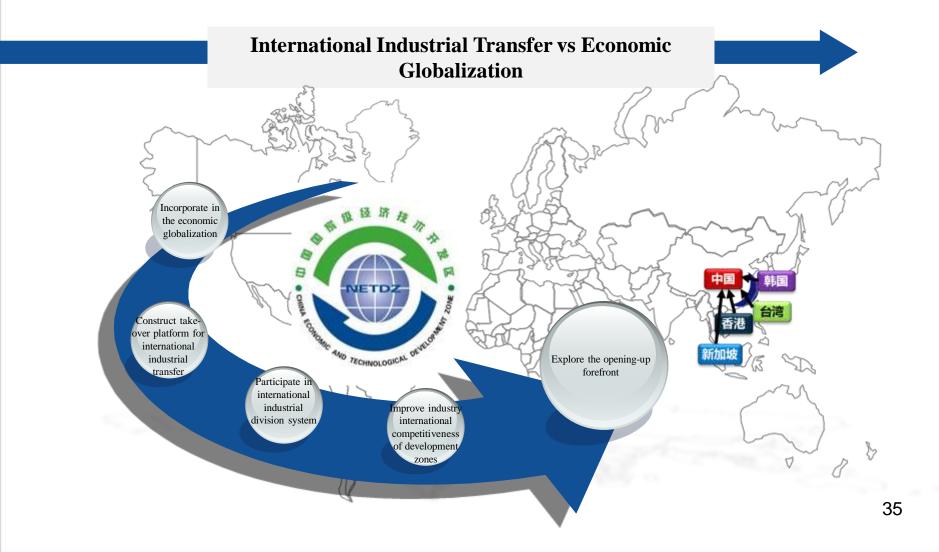
Successes



Successes

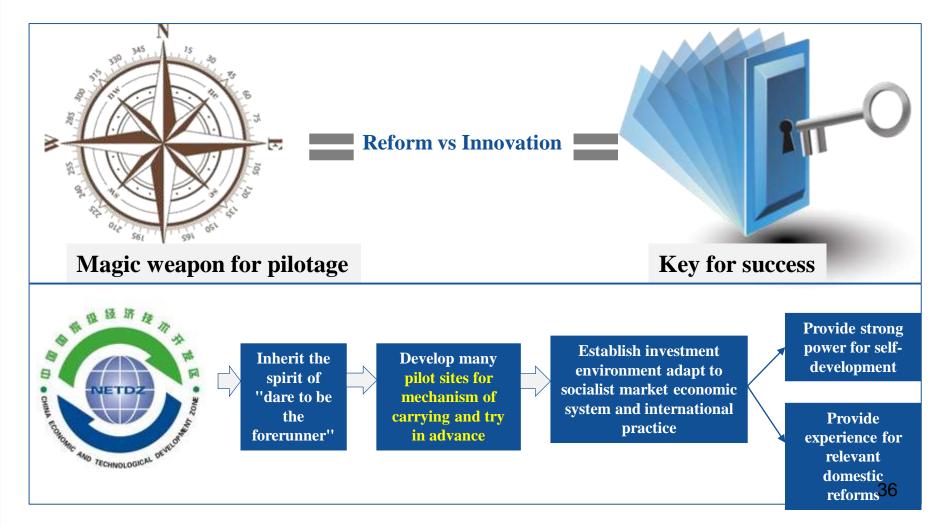


• (I) Incorporate in the economic globalization, and explore the opening-up forefront



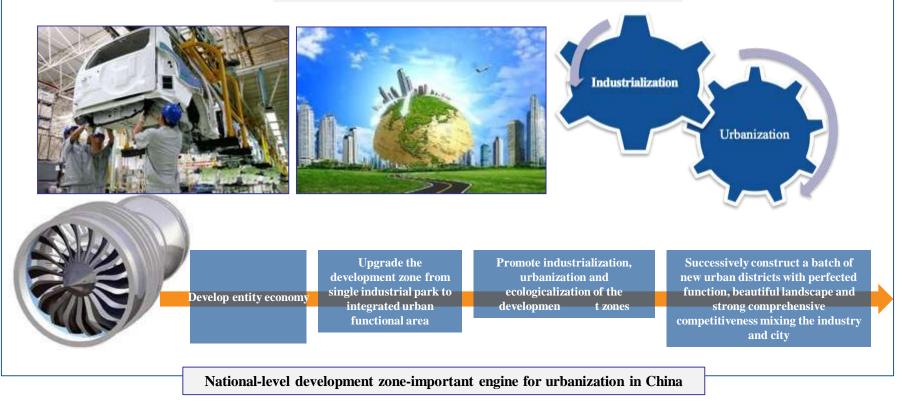
Successes

• (II) Insist on carrying and try in advance, and provide chances for reform and innovation



• (III) Stick to construct new districts integrating industry and city supported by entity economy

Industrialization-Promoting-Urbanization



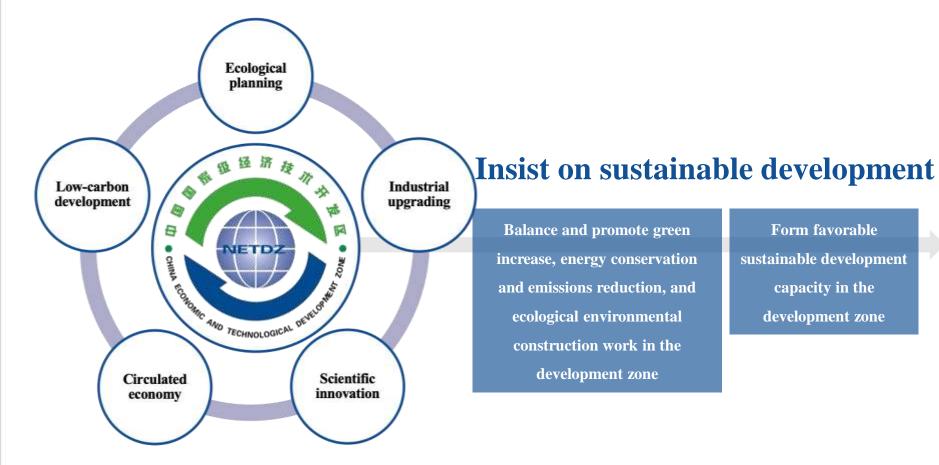
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• (IV) Provide favorable environment and high-quality service to attract the gathering of capitals



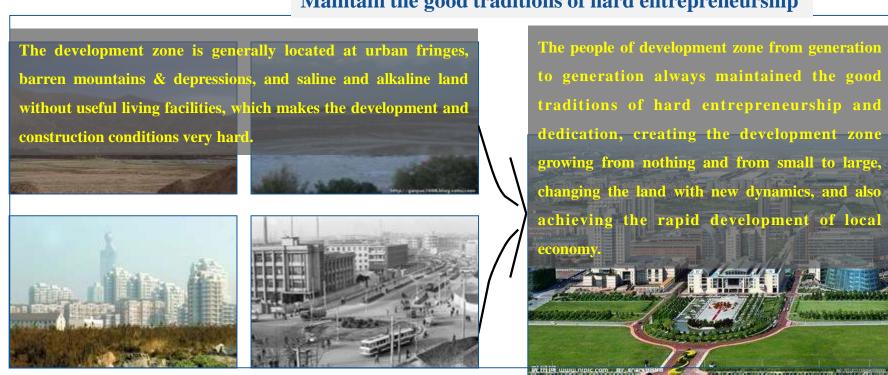
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• (V) Preserve in intensive development and green increase, and create ecological and environmental friendly demonstration park



Successes

(VI) Stick to struggle hard for entrepreneurship, and guide pioneering and solid work as a practitioner



Maintain the good traditions of hard entrepreneurship

Main Tasks for Establishment of Development Zones



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Management Mechanism of Development Area



Management committee: local government organizations shall take full charge of duties such as infrastructure construction, land development, investment attraction and economic management on behalf of the municipal government, which boasts advantages such as simplified procedures and high efficiency while embodying the leadership and guidance function of the government

Combination of administration with development zone: a management method that is integrated with the administrative region will allow the management function and other resources of the development zone to expand into the surrounding areas,

Corporate mechanism: corporate legal person for development of development general corporation shall be established to be in charge of investment, operation and daily management of the development zone. Under the government's development strategy and planning guidance, the corporation shall perform contracted operation and undertake works related to infrastructure construction, fund raising, land development and enterprise management.

Transfer from Small Government and Big Society to Service-type Government

The development zone is not just a common industrial real estate developer because the occupation is not a one-time or short-period real estate sale, but its service shall include the whole period from presales to post-sales, thus "how to build a small society environment suitable for growth and development of enterprises" shall be considered carefully.

Specialized service (land development & management, investment, and

financing, etc.)

Adapting to the service for industrial upgrading,

development and innovation (sharing platform, enterprise

salon, industrial committee, etc.)

New idea (do not interpose in irrelevant things and seek for good things,

do not give up randomly, and do give help for difficulties)

Standards for Infrastructure Construction



"Three supplies and one leveling": supply of road, water and electricity, and ground leveling

"Five supplies and one leveling": supply of road, water, electricity, telecommunication, and gas, and ground leveling

"Seven supplies and one leveling": supply of road, water, drain facilities, electricity, telecommunication, gas, and heating devices, and ground leveling

"Nine supplies and one leveling": supply of road, water, electricity, drain facilities, sewage treatment system, gas, heating devices, telecommunication, and cable television, and ground leveling

"Eleven supplies and one leveling": supply of water, electricity, road, telecommunication, coal gas, internet, radio television, heating devices, post service, and drain facilities and sewage treatment system in construction site, and ground leveling

Pursue Scientific Planning

Insist on foresight of planning " D E V E L O P M E N T I S N O T PERMITTED WITHOUT PLANNING" **Insist on order of planning**

"FOUR-BEFORE PRINCIPLE" (planning before construction, underground before ground, secondary industry before service industry, and infrastructure construction before commercial real estate development) Insist on authority of planning "VIEWING PLANNING AS THE LAW"



One-stop Service



Subordinating four offices (Registration & Approval Office, Technical Management Office, Social Affair Office and General Service Office) and six local departments (Public Security Department, Industry and Commerce Department, National Taxation Department, Local Taxation Department, Fire Protection Department and Quality Supervision Department)

'One-window transaction''

'One-form registration''

'One-diagram approval''

Introduce informatization technology into government affairs

Three libraries (personnel library, business entity library, and geographic information library)

Three service platforms (government affairs service platform, enterprise service platform and living service platform)

Transfer from Investment Attraction to Investment Selection

The whole-rounded balance, comparison, and strategy study for industrial congregation condition, marketing radiation, and logistics distribution and other factors of the zone must be made for determining the site of important projects.

The self advantages of the development zone should be balanced and considered during the capital attraction.



National-level economic and technological development zone

Despite of the above achievements, the national-level economic and

technological development zones are also faced with a series of challenges.







•(I) Establish a more efficient development zone mechanism

Strengthen exploration and innovation of management mode

•Make a research and establish a more efficient management system including statutory body to promote efficiency of service, optimize soft investment environment and enhance the attractiveness of the zone. Speed up the transformation of government functions

• Build a service-oriented government, maintain the streamlined government organs and simplify working procedures to form a pragmatic and efficient operating mechanism with clear rights and responsibilities. • Promote the deepening of administrative approval system reform and financial system reform, and promote the reform of supporting systems such as management system, internal organizations, cadre and personnel system and financial innovation system.

Promote public service level

• Vigorously strengthen allocation capacity of public service resources for development zones such as social insurance, basic education and medical health in development zones, explore outsourcing of partial social management service functions by means of service by government, completely create a people-oriented investment environment and enhance adaptability of social development and economic growth.

• (II) Accelerate the development of an updated modern industrial system

- Accelerate the transformation and upgrading of traditional industries • Promote deep integration of informatization and industrialization, accelerate technology creation of enterprises in the zone, improve precision management level, strengthen informatization transformation and brand development of traditional industries, and advance industrial chain development and value chain upgrading.
- Enhance overall planning and resource integration and complete synergetic development mechanism for strategic emerging industries and traditional industries.
- Intensify policy support to technological innovation of low and medium technological enterprises and lead low and medium technological enterprises to build innovation capability.



(III) Vigorously promote transformation, upgrading and innovation driving capacity

Optimize innovation input mode	Vigorously develop innovation subject
Increase financial investment for	 Encourage enterprises to create self-owned
scientific and technological innovation	brands and undertake major special
Financial investment guides social	national science and technology projects. Encourage colleges, universities and
investment for scientific and	scientific research institutes to carry out
technological innovation	research and development or build
Innovation	innovation union with SMEs.
Encourage multinational corporations to localize technology R&D or set up R&D institution with local enterprise jointly Encourage enterprises in development zones to establish R&D center abroad and participate in preparation and popularization of international standards	 Vigorously construct incubation and acceleration carrier Set up public technology service platform Boost collaborative innovation of government, industry, university and institute Complete sci-tech intermediary service system Intensify the support of financing institutions to technology enterprises
Link with international innovation	Optimize innovation
network	environment fully

• (IV) Construct energy conservation, environmental protection and ecological civilization demonstration base



Strengthen integrated ecological environmental protection management and increase resource use efficiency

- Enhance environmental protection planning and carrying capacity evaluation
- Complete environmental monitoring system and review mechanism
- Firmly close down backward production facilities in the zone
- Strengthen water saving and recycling



Explore characteristic ecological culture and promote motive force of ecological civilization

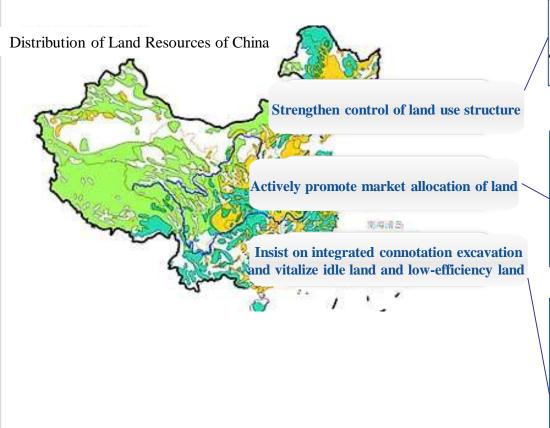
- Vigorously develop eco-culture of enterprises
- Strengthen the establishment of ecological civilization system



Vigorously develop the circular economy and environmental protection industry, and build a green ecology park

- Intensify guiding function of planning
- Promote the concept of low carbon economy
- Improve ecological environment quality and take green creation activities
- Deepen international cooperation in energy conservation and environmental protection

• (V) Fully promote land planning & management level



- Carry out construction and unified management according to planning requirements for new industrial parks
- Strengthen control of industrial land, and review, approve and supply land according to laws.
- Reasonably set access conditions of enterprise and projects and strictly implement various land use standards to ensure land output intensity;
- Improve intensive land use level through strict control over indexes, and carry out evaluation on economical and intensive land use periodically and dynamic tracking and monitoring on land use efficiency.
- Encourage enterprises to take capacity expansion measures such as increase of floors and adjustment of inner space;
- Improve land use efficiency by bringing in advanced production equipment, optimizing layout, saving space or other means;
- Strengthen dynamic supervision for land use, and establish and strictly implement idle land withdrawal mechanism.

(VI) Seize the opportunity to build a human resource aggregating highland

Accelerate the establishment of a talented person system with international competitiveness

- Attract domestic and overseas talents to start a business or develop in national-level economic and technological development zone
- Strengthen the attraction to leading talents and medium and high-level professional talents



Accelerate the development of modern vocational education system

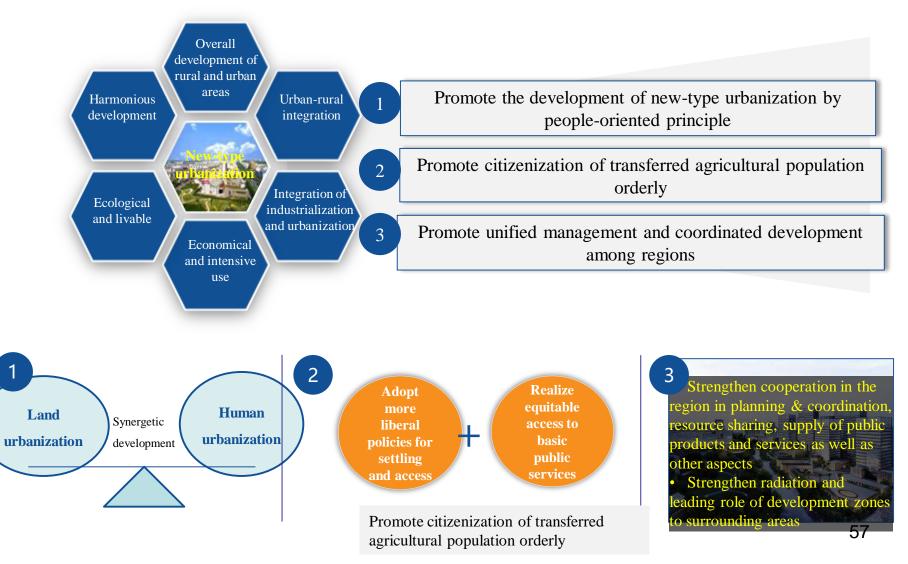
- Strengthen the responsibilities of job skill training ٠ for peasant labors of enterprises in national-level economic and technological development zone
- Encourage vocational education and skill training ٠
- Intensify policy support to peasant labors for starting a business in the economic and technical development zone



Establish a linkage mechanism for economic development and employment expanding

Complete the target-oriented responsibility system for employment promotion, create more jobs and expand employment scale by optimizing the industrial structure, stabilizing employment proportion in manufacturing industry and developing emerging industries and private economy.

• (VII) Give play to the demonstrating and leading role of new-type urbanization



(VIII) Strengthen the leading role in coordinated development among regions

• **Strengthen the role of regional development as a driving force.** Promote integration and networking of public services and infrastructures in cities and development zones; structure a cross-regional linkage mechanism for development zones, guide the formation of complementary advantages and the orderly transfer of industrial functions of development zones; national-level economic and technological development zones in developed regions provide various forms of assistance to development zones in less developed regions.

• Strengthen complementary advantages relative to other special economic function zones. Encourage national-level economic and technological development zones to establish collaborative joint action relations with other special economic function zones, speed up reform in more convenient customs clearance, and develop transnational e-commerce, so as to form a regional and comprehensive industrial growth belt.



• (IX) Create a first-class international comprehensive investment environment



Promote hard environment for investment at international level



Strengthen service consciousness and promote the construction of soft environment for investment

Strengthen the construction of supporting infrastructures and living facilities

Improve capacity of supporting traffic facilities and establish an intelligent transportation platform in development zones

Build high-efficiency communication network facilities and fully improve informatization level

Actively carry out energy conservation projects, encourage the development of new energy and improve energy supply level

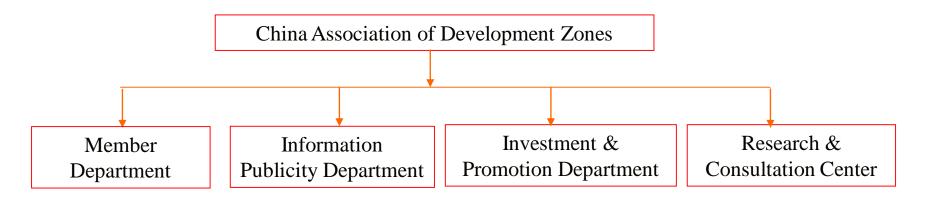
Encourage and guide the private capital to participate in construction and operation of carriers of scientific and technological innovation industries



Introduction of China Association of Development Zones

• China Association of Development Zones is a national Class A organization approved by the Chinese government, founded for the purpose of promoting the growth and services of development zones. It was registered and approved by the Ministry of Civil Affairs in 1993 and functions as a link among development zones nationwide and a communication channel between development zones and government departments as well as all sectors of society. At present, there are national-level economic and technological development zones, bonded zones, border economic cooperation zones and provincial (autonomous region, municipality) development zones, as well as 280 member organizations.

• Service scope: publicity and introductory service, policy research and discussion, specialized training, research and consultation, international communication



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Thanks!

