Sez in china

Especial economic zone: A Special Economic Zone (SEZ) is a geographical region that has economic and other laws that are more free-market-oriented than a country's typical or national laws. " Nationwide" laws may be suspended inside a special economic zone. The category SEZ covers, including free trade zones (FTZ), export processing Zones (EPZ), free Zones (FZ), industrial parks or industrial estates (IE), free ports, free economic zones, urban enterprise zones and others.

Usually the goal of a structure is to increase foreign direct investment by foreign investors, typically an international business or a multinational corporation (MNC), development of infrastructureand to increase the employment. Currently, the most prominent SEZs in the country are Shenzhen, Xiamen, Shantou, and Zhuhai. It is notable that Shenzhen, Shantou, and Zhuhai are all in Guangdong province, and all are on the southern coast of China where sea is very accessible for transportation of goods.

An analysis of the performance of these SEZs in China versus those in India in liberalizing the Chinese and Indian economies and their impact on economic growth was conducted by Leong (2012). This paper investigates the role of special economic zones (SEZs) . 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. Special economic zones of the people’s republic of china Special Economic Zones of the People's Republic of China (SEZs) are special economic zones located in mainland China. The government of the People's Republic 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 especially conducive to doing business that does not exist in the rest of mainland China.

History Since the late 1970s, and especially since the 3rd Plenary Session of the 11th CPC Central Committee in 1978, the PRC government has decided toreform 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, the PRC passed several stages, ranging from the establishment of special economic zones and open coastal cities and areas, and designating open inland and coastal economic andtechnologydevelopment zones.

Since 1980, the PRC has established special economic zones in Shenzhen, Zhuhai and Shantou in Guangdong
Province and Xiamen in Fujian Province, and designated the entire province ofHainan a special economic zone. 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).

In1984, the PRC further opened 14 coastal cities to overseas investment: Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Na ntong, 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 PRC 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 echnologies and of " radiators" in accelerating inland economic development. Primarily geared to exporting processed goods, the five special economic zones are foreign-oriented areas which integratescienceand 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 andreal 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. 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, S

hanghai, 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.

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

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| --- Hainan Special Economic Zone

Hainan became a special economic zone in 1988 after the other 4 zones had already established themselves as being successful and scalable. For current foreign investment regulations for the Hainan zone please see Hainan Special Economic Zone, Foreign Investment Regulations --- 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. China's Special Economic Zones Xu Dixin The Chinese Government has set up four special economic zones.

They are located in the cities of Shenzhen, Zhuhai and Shantou of Guangdong Province and the city of Xiamen of Fujian Province . Politically, the special economic zones are based on assurance of China's state sovereignty and governing authority is entirely in China's hands. Economically, they are essentially based on state capitalism. APPROXIMATELY 300 special economic zones have been established in about 75 countries and regions in the world today (some are called free trading zones, some processing-exporting zones and some tax-free trading zones).

Practices vary between countries. Special economic zones are set up when a country delimits a special area where, through exemption of customs duty, it formulates various preferential conditions and providespublic facilitiesso as to attract foreign investors to set up factories whose finished products are mainly for export. Insofar as capitalist social systems are concerned, few problems arise for those countries which set up special economic zones because the characteristics of such zones are essentially compatible with the development of capitalism.

Some people wonder why China, a socialist country, has set up special zones which permit the manoeuvre of foreign capital. They ask: Concessions were eliminated a long time ago, why are a few areas with foreign investment being operated in the manner of concessions? They also want to know whether the four special economic zones represent a revival of the former concessions. Although important, such concerns are oversimplified and superficial. The situation can be best understood within context of the past and the nation's present state of development.

At the end of the 19th century, foreign capital poured into China. This was a result of invasion by imperialist powers which used " gunboat diplomacy" to impose unequal treaties on China and infringed upon its state sovereignty. The foreign capital presently being invested in China is not based on " unequal treaties," but on the assurance of China's state sovereignty. The special economic zones do not represent the revival of former concessions because authority over them is entirely in China's hands.

Be they joint ventures with Chinese and foreign investments set up in the special zones or enterprises run exclusively by foreign or overseas Chinese capital, they must observe the Chinese Government's decrees and regulations, pay business and income taxes according to provisions and abide by China's labour laws. Although they represent a minor change in state economic policy, the special economic zones are not in basic conflict with China's socialist economic system. The economy in the special zones encompasses the socialist state economy, the collective economy and the individual economy, but state capitalism has the lion's share.

Processing materials for foreign countries, compensatory trade, co-operative enterprises and joint ventures are all state capitalist economic activities. Strictly speaking, the enterprises run by foreign or overseas Chinese capital constitute a kind of capitalist economy, but the activities of such enterprises are subject to control and regulation by the governments of the special zones. As a result, they are special kinds of capitalist enterprises. Lenin clearly said: " State capitalism is capitalism which we shall be able to restrict, the limits of which we shall be able to fix. This provides us with a theoretical explanation of the nature of the enterprises financed individually in the special zones. Some people worry that the capitalists will exploit the surplus value of the labourers. It should be admitted that some exploitation does exist in the joint ventures or individually financed enterprises in the special zones. According to China's regulations, joint ventures or enterprises individually financed by foreign capital or overseas Chinese capital can remit their share of profits abroad after they have paid their income tax according to relevant provisions and with the approval of the authorities concerned.

The profits remitted abroad and the profits retained for reinvestment in the special zones obviously represent the surplus value of the labourers. But allowing foreign or overseas Chinese capital to gain profits is, in a sense, a policy of redemption (that is, a policy of gradually nationalizing the means of production of the exploiting classes at a certain price). Shortly after the founding of the People's Republic, the government adopted a redemption policy towards the national bourgeoisie in order to win its co-operation.

Now we are employing a redemption policy to win the co-operation of foreign and overseas Chinese capital. This is necessary for the development of the economies of the special zones. One of the characteristics of special zone economies is the fact that they open the door to foreign countries. Take Shenzhen and Zhuhai for example, their economic ties with Xianggang (Hongkong) and Aomen (Macao) are much closer than with the interior. This situation may result in the close relationship and mutual-effect between the role of regulating production according to market demands and the market fluctuations of Xianggang and Aomen.

Within the special zones, it cannot be said that the regulation of production by state planning does not exist or does not function. However, if regulation of production by planning is made to cover too large an area, if it becomes the main body of the economy of the special zones, then it will be disadvantageous to absorbing foreign capital and developing the economies of the special zones. Newly built harbour in the Shekou industrial area managed by a Xianggang (Hongkong) company. Special Zones' Functions

Because the special economic zones in Guangdong and Fujian Provinces have only been established for a short period of time, their role has not been brought into full play. The following points address the concerns most frequently expressed regarding their operation: They serve as bridges for introducing foreign capital, advanced technology and equipment and as classrooms for training personnel capable of mastering advanced technology. Both in the process of production and circulation, and in the joint ventures with Chinese and foreign investments in the special zones, we can learn the latest techniques and scientific methods of management.

To develop the national economy and expedite China's enterprise production and management, it is imperative to promote competition between regions, between trades and with-in a certain trade. In the development of the economies of the special zones -and during their competition with Xianggang and Aomen - it is possible to win in the competition by learning how to make comparisons regarding the regulation of production according to market demands. improve the quality of goods, develop new products and reduce production costs. It is possible to absorb considerable amounts. of foreign exchange.

It is also possible to transfer part of the foreign capital, technology and equipment through the special zones to other regions concerned and set up new enterprises there. The country's special zones can serve as experimental units in economic structural reform and as schools for learning the law of value and the regulation of production according to market demands. By developing the economies of the special zones, it is possible to employ many young people waiting for jobs. Some people wonder why it is necessary, more than 30 years since the founding of the People's Republic, to set up special economic zones.

They also wonder whether the special zones signify that China is seeking help from capitalist countries. Such concerns are understandable, but unwarranted. Since its establishment, New China has scored brilliant achievements in many fields of work, including economic construction. But it has also traversed a tortuous path. Compared with the world's most advanced nations. China's level of production is still rather low. Its funds and technology are incompatible with the requirements of the modernization drive.

Furthermore," while implementing its policy of self-reliance in economic construction, China does not exclude co-operation with capitalism. Facts will prove that through developing the economies of the special zones, we will be able to make use of foreign and overseas Chinese capital, as well as state capitalism, to develop China's socialist economy. Economic construction in the special zones will possibly become a special form of supplement to the development of China's socialist economy. The total economies of the special zones will only constitute a very small portion of the national economy.

Although the socialist economy will continue to dominate, the role of the special zones must not be overlooked. Japanese technician passing on technical know-how to a Chinese worker at a joint Sino-Japanese TV company. Policies and Measures 1. The development of the special economic zones requires emphasis on the word " special. " For instance, in opening the door to foreign countries, it is necessary to simplify procedures for entry and exit and make things easy for visitors. In tax rate, it is essential to give preferential treatment to imported goods in customs duties. Tax exemptions for some goods are needed.

A portion of the profits gained by foreign financed enterprises is allowed to be remitted abroad. 2. The essence of developing the special economic zones lies in the import of foreign capital; making foreign capital serve China's socialist modernization drive. Given this, the lives of the people residing in the special zones are bound to change. Capitalist ideology is bound to increase. This will require us to devote special attention to the ideologicaleducationof people in the special zones. Of course, education and training inscience and technologyshould not be neglected, either. 3.

The currency used in the special economic zones is mainly Renminbi (people's currency), the use of foreign currencies is limited to designated areas. Renminbi represents the currency of the People's Republic of China, but in view of the characteristics of special economic zones, it may prove necessary to issue different currency for them. This is a very complicated problem which calls for further study. 4. It would be impossible for the special zones to develop without the support of China's interior regions. Only when they operate in cooperation with the interior can the special zones gain necessary materials.

Of course, such cooperation is based on mutual benefit. And it can be successful only when the special zones produce commodities needed by the interior. This co-operation must be carried out in a planned way. China’s capital controls The more special economic zone The landscape of capital-account liberalisation Jul 7th 2012 | QIANHAI | from the print edition * Where there’s muck ELSEWHERE in the developing world, towns grow before the infrastructure is quite ready to support them. Things are different in Shenzhen, China’s original Special Economic Zone (SEZ), a stone’s throw from Hong Kong.

The subway station at Qianhai bay, on the city’s west coast, is spick and p, with a full complement of signs, announcements and billboards, including one for a performance by the BBC National Orchestra of Wales, sponsored by Classy Kiss milk. But only one exit is open. And it surfaces in the middle of a wasteland of dirt, scrub and puddles. It is, surely, the best connected nowhere anywhere. In this section * Powering down * » The more special economic zone * Rollercoaster * Duncan dough notes * The Oracle of Boston * Move over Reprints Related topics * Hong Kong * China This empty spot is, however, full of big ambitions.

It is one corner of a 15-square-kilometre zone earmarked for experimentation by China's cabinet. The zone has licence to try policies that are " more special" than those prevailing even in an SEZ. It aims to attract " modern service industries" rather than big-box manufacturers. It will charge only 15% corporate-profit tax and levy no income taxes on thefinanceprofessionals, lawyers, accountants and creative people it hopes eventually to attract. These cosmopolitan folk will live in a " waterfront city", says James Corner, whose firm won a competition two years ago to design the bay's future landscape.

Over the next couple of years, he explains, the city will build a system of " water fingers", large parks that collect, retain and purify the streams that flow from the hinterland, allowing water to enter the bay clean and clear. Water is not the only flow Qianhai aims to collect and retain. It also wants to attract some of the offshore yuan that have pooled outside mainland China's borders. Over 550 billion yuan ($87 billion) now sits in Hong Kong deposit accounts; another 60 billion yuan sits in Singapore, and 35 billion more resides in customer deposits in London, according to an April study by Bourse Consult.

These yuan cannot flow freely back into mainland China, however. Banks can invest a limited amount in the mainland's inter-bank bond market.

Companies that raise yuan outside China can seek permission to invest themoneyin their operations inside the country. But the money can easily become bogged down in China’s exchange controls, especially when the authorities are trying to tighten credit. Qianhai, however, will be permitted to broaden these channels. Its firms will be given help in raising yuan offshore. Hong Kong banks will be allowed to enter the zone more easily. The ground will also be laid for greater cross-border lending. Since the mainland is targeting the gradual achievement of full yuan convertibility, Qianhai should be a pioneer for progress,” said Zhang Xiaoqiang of the National Development and Reform Commission, China’s planning body. The plan poses some puzzles. If offshore yuan were to be lent freely to Qianhai firms, what would stop them lending the money on to the rest of the country? An easing of capital controls between Hong Kong and Qianhai would seem to require a tightening of controls between Qianhai and the rest of the mainland. Otherwise the stream of yuan inflows could become a flood.

The answer to the puzzle may lie in the timing. The Qianhai zone is not scheduled for completion until 2020, by when China’s capital controls may already be far looser nationwide. It is therefore unlikely that Qianhai’s opening up will get too far ahead of the rest of the country’s. In finance, as well as infrastructure, China likes to lay down the tracks, platforms and ticket barriers before the throngs arrive. Definition of 'Special Economic Zone - SEZ' Designated areas in countries that possess special economic regulations that are different from other areas in the same country.

Moreover, these regulations tend to contain measures that are conducive to foreign direct investment. Conducting business in a SEZ usually means that a company will receive tax incentives and the opportunity to pay lower tariffs. Investopedia explains 'Special Economic Zone - SEZ' While many countries have set up special economic zones, China has been the most successful in using SEZ to attract foreign capital. In fact, China has even declared an entire province (Hainan) to be an SEZ, which is quite distinct, as most SEZs are cities. Read more: http://www. investopedia. com/terms/s/sez. sp#ixzz29RnLw992 China's Special Economic Zones Keep Importance| China's special economic zones will still be " special" after the country's entry to the World Trade Organization (WTO) and can continue to boom because they are better prepared for its rules, officials and economists said on Wednesday. | | | PRINT| DISCUSSION| CHINESE| SEND TO FRIEND| | | | Special zones better prepared for WTO rulesChina's special economic zones will still be " special" after the country's entry to the World Trade Organization (WTO) and can continue to boom because they are better prepared for its rules, officials and economists said on Wednesday.

While thousands of Chinese businesses have yet to familiarize themselves with the WTO principles and practices, China's technological and economic areas are already ahead of the game, said Pi Qiansheng, chief official who oversees the Tianjin Economic Development Area (TEDA). Special Economic Zones| President Jiang on Special Economic ZonesChina will develop special economic zones (SEZs) all through the process of the country's reform, opening up and modernization drive, Chinese President Jiang Zemin said November 14 in Shenzhen, China's first SEZ.

Feature : Economic Zones| Chief special economic zonesChina's chief special economic zones are Shenzhen, Zhuhai, Shantou, Xiamen cities and Hainan Province. But they encompass more than 100 national economic and technological development zones, 15 national bonded areas and 14 border trade and co-operation regions in the broadest sense, said Hu Ping, former director of the Special Economic Zone Office under the State Council.

Years before China joined the global trade club, the special economic areas had begun operating in line with international practices, said Pi, director of the administrative commission of TEDA, the largest development zone in North China. " By implementing international practices - like simplified approval procedures and transparency - TEDA has actually been operating according to WTO rules," he said. Keep going wellBoth Pi and Hu denied allegations that the national treatment and non-discriminationprinciples of the WTO will undermine the development of the special economic and technological reas, which used to receive - and give - preferential policies. " The special zones in various sizes and forms in China have grown from their initial state when they needed policy support before they were able to rely on themselves for expansion," Hu said. " I don't see much of a negative impact of WTO entry on their recruitment of experts and the overall investmentenvironment. " The special zones can instead maintain their " special" status by maximizing their accumulated expertise and their advantages in geographic locations and export-orientated industrial structures.

They can gain a head start in absorbing foreign funds, technology and developing modern logistic systems, Hu said. The bonded zones, export product processing quarters and high-tech parks in those special areas will open still wider, Pi said. " It is my understanding that the WTO rules obligate the government to shift its functions to serving businesses in a more efficient fashion," Pi said. " In TEDA, for example, the authorities have already modified or removed all the regulations and operations that go against the WTO rules. "

Within the framework of national treatment requirements of the WTO, TEDA will give more favourable policies to overseas investment to attract more transnationals, he said. | SEZs: Go the Chinese way S. Majumder SPECIAL Economic Zones (SEZs), first proposed in the Exim Policy 2000-01 by the erstwhile Commerce Minister, Mr Murasoli Maran, are now a reality. With Export Processing Zones (EPZs) failing to help achieve the export targets, sights are on SEZs to deliver the goods. Eight SEZs are already operational — seven EPZs were converted for this purpose — and another nine have been approved and are to be located strategically.

The Commerce Minister, Mr Arun Jaitley, overwhelmed by the success of China's SEZ experiments has reposed much faith in them not only for export growth but also to boost FDI, which has become imperative especially as domestic investments are sagging. It is heartening that Mr Jaitley seems to be aware of the fact that the objectives of SEZs are much wider than merely boosting exports. Can India replicate China's immensely successful SEZ model? The incentives offered in Indian SEZs are in no less than those in China.

From duty-free imports and tax holidays to freedom from cumbersome Custom procedures, the SEZs' facilities match those in China. Hence, theoretically at least, India's SEZs should be no less attractive to foreign investors as the Chinese versions. But reality paints a different picture. The key to SEZ success lies not just handing out incentives. Conceptually, EPZs and SEZs are different — while the former is an industrial estate, the latter is an industrial township. Boosting incentives to SEZs does not necessarily mean greater investment flows. The scope of SEZs are much wider and their linkages with the domestic economy stronger.

SEZs provide supportive infrastructure such as housing, ports, roads and telecommunication and, as a result, have a wider industrial base. Compared to EPZs, SEZs give more in terms of exports, industrial growth, investments, both domestic and foreign, and employment generation. Hence, merely switching from EPZs to SEZs, without undertaking the required structural changes, does not guarantee success. The China story There are five SEZs in China. Of these, four — Shenzhen, Xiamen, Shantou and Zhuhai — were founded 20 years back and the fifth, Hainan, was set up in 1988.

There are eight distinguishing features which have contributed to the success of SEZs in China: Unique location, large size, investment friendly attitudes towards non-resident Chinese, attractive incentive packages, liberal Custom procedures, flexible labour laws, a strong domestic market and decentralisation of power in favour of provinces and local authorities for administering the zones. Of the five SEZs, Shenzhen, Shantou and Zhuhai are in the Guangdong province, adjacent to Hong Kong — the gateway to China. The other SEZ, Xiamen, in the Fujian province, is nearer Taiwan. Setting up hese zones close to internationally reputed commercial destinations was basically for easier access to foreign investments, modern technology and managerial expertise. This move paid off. FDI spurted in China — with Hong Kong accounting for about 60 per cent of the total inflows

— with foreign investors making a beeline for the SEZs. Initially, the majority of foreign investors were non-resident Chinese from Hong Kong who were engaged in trading. Later, MNCs started investing in technology-oriented sectors even as China liberalised its foreign investment policy further to attract modern technology.

The Guangdong province, which has the largest number of SEZs, became the most attractive foreign investment destination. In 2001, over 25 per cent of China's FDI flowed into Guangdong. Size is another important factor for SEZ success in China. Each SEZ is well over 1, 000 hectares, the minimum recommended area. In India, the EPZs converted into SEZs are not even a third of this. Among the converted SEZs, the one in Noida is the largest but extends only 310 hectares. The SEEPZ, the first SEZ in India, is only 93 hectares.

In such small areas, the requisite infrastructure and services required of an SEZ cannot be created nor multiple economic activities undertaken. Strong domestic market is another important aspect for SEZ success. In China, about 50 per cent of SEZ sales are to the domestic market. Though India has a large domestic market, it has failed to project this to lure SEZ investors. The reason: Policy impediments to sales in the domestic market. While in China the thrust of SEZs has been to attract foreign investments and modern technology, in India the emphasis has been on exports.

The policymakers seem to think that export success in the zones is difficult unless accompanied by a liberal FDI regime. In China, the contribution of SEZs to the total exports is not substantial even after 20 years of their existence. In 2001, the share of the five SEZs in the country's total exports was 10. 4 per cent. In contrast, the contribution of Indian SEZs in 2001-02 was a little over 4 per cent of the total exports. Decentralisation of power was also a major reason for SEZ success in China. Provincial and local authorities were made partners and stakeholders, by delegating to them powers to approve foreign investment.

The SEZ authorities in China can approve foreign investment proposals up to $30 million. In India, only State governments are allowed to set up SEZs and the powers for foreign investment approvals are vested with the Development Commissioners, who are the representatives of the Central Government. The hire-and-fire policy in SEZs has been one of the biggest attractions for foreign investors in China. The new labour law consists of 107 articles, but none of these is more than one paragraph. All jobs are on labour contract basis, which stand terminated upon the expiry of the terms, which can be fixed/flexible or for a specific job.

In contrast, the labour policy in India is worker, rather than investment, oriented. Merely declaring SEZs as public utilities under the Industrial Disputes Act may not suffice to quell the image of labour unrest in the country. In sum, the fundamental objectives for setting up SEZs and their role in the national economy are different in the two countries. In such a situation, multiple doses of incentives and unravelling the procedural hassles in India may not in themselves aid SEZs. The impending need is buoyancy in foreign investments, which would automatically catapult exports.

For this, the primary need is to foster SEZs as investment-friendly areas. This job is not of the Commerce Ministry alone, which is empowered to tinker with the Exim Policy only. The Foreign Investment Promotion Board (FIPB) and the

Foreign Investment Implementation Authority (FIIA) also have an equally important role to make SEZs a success. SPECIAL ECONOMIC ZONES (SEZS) ? Special economic zones (SEZs) 1 aim to overcome barriers that hinder investment in the wider economy, including restrictive policies, poor governance, inadequate infrastructure, and problematic access to land.

SEZs tend to offer export-oriented investors three main advantages relative to the domestic investment environment: 1) they offer a special customs environment including efficient customs administration and (usually) access to imported inputs free of tariffs and duties; 2) they have historically offered a range of fiscal incentives including corporate tax holidays and reductions, along with an improved administrative environment; and 3) they provide infrastructure (including land, factory shells, and utilities) that are more accessible and reliable than would normally be available outside the zones. SEZs have a long-established role in international trade. Prior to the 1970s, most zones were clustered in industrialized countries; but since the 1980s, there has been massive growth in SEZs in developing countries, led at first by East Asia and Latin America and more recently by the development of new programs in Central and Eastern Europe, Central Asia, the Middle East, and North Africa. Recent estimates indicate that there currently are more than 3, 000 SEZs established in some 135 countries.

Overall SEZs are estimated to account for more than US$200 billion in global exports and employ directly at least 40 million workers. ? Most zones set up in the 1970s through the 1990s were designed to attract investment in labor-intensive assembly and manufacturing from multinationals. These export processing zones (EPZs) were a cornerstone of trade and investment policy in countries shifting away from import-substitution and in favour of integrating into global markets.

Among the multiple objectives normally being sought as part of these policies were: job creation, growth in exports and foreign exchange earnings, facilitating economic diversification (often as a step in processes of industrialization and industrial upgrading) and access to foreign manufacturing technology and know-how. KEY ISSUES AND CHALLENGES ? In some countries, SEZs have been a powerful instrument for economic growth and structural transformation. For many of the initial zones in East Asia, zones proved played a critical role in facilitating the industrial development and upgrading the ‘ tiger’ economies.

Similarly, the later adoption of the model by China provided a platform for attracting FDI and not only supported the development of its export-oriented manufacturing sector, but served as a catalyst for sweeping economic reforms that were extended throughout the country. In Latin America, countries like Dominican Republic, Honduras, and El Salvador used free zones to take advantage of preferential access to US markets, and have generated large-scale manufacturing sectors in economies that were previously reliant on agricultural commodities.

Finally, in Africa, SEZs are credited with enabling Mauritius to move from dependence on sugar to become a manufacturing hub and eventually an innovative, middle income country. ? However, there are also many examples of failures of SEZs, where investments in zone infrastructure resulted in ‘ white elephants’ or where zones have largely resulted in industry taking advantage of tax breaks without producing any substantial employment or export earnings.

Moreover, many zones that appear to have been successful in the short term, have failed to remain sustainable once labor costs have risen or when preferential 1 The term “ SEZ” is being used here in a generic sense to cover any one of a variety of similar regimes including „ industrial free zones? , „ special economic zones? , „ maquiladoras? , „ export processing zones? , „ investment promotion zones? , „ foreign trade zones? and „ free zones? What are Special Economic Zones (SEZs)? What are the Key Issues and Challenges for SEZs?

What is the World Bank Group doing on SEZs? TRADE ISSUES BRIEF: Special Economic ZonesWorld Bank Group -PovertyReduction and Economic Management Network - International Trade Department trade access is no longer an advantage (e. g. following the end of the Multi-fiber Agreement). Zone failures can be attributed to a variety of causes. Too often, zones are plagued with the same problems – unstable electricity, lack of water, heavy bureaucracy, inefficient and corrupt customs – that hinder investment in the wider economy.

In addition, broader competitiveness challenges, including policy instability, poor national governance, and low productivity often undermine the potential of zones. ? The traditional manufacturing-oriented processing zone (EPZ) is becoming increasingly anachronistic, despite the continued importance of global production networks. This is for three main reasons. First, by limiting activities to manufacturing only, EPZs restrict opportunities for investment and growth in the services sector, one of the most important opportunities for growth in middle income and even many low income countries.

Second, the traditional EPZ tends to create an enclave that is separated from the national market, undermining its potential to create effective domestic linkages. Finally, the traditional EPZ model relies on unsustainable fiscal incentives to attract investment. As a result, there has been a gradual shift from traditional EPZs to special economic zones (SEZs), which normally cover larger land areas, offer greater flexibility for services and other non-manufacturing activities (including residential and tourism development), and include a greater mix of export and domestic-market focused activities.

THE WORLD BANK GROUP AND SEZS ? The World Bank Group has worked with client governments on export processing zones, free trade zones, and SEZs for decades. More than 40 SEZ related projects have been undertaken in the past ten years. This work has included Bank lending for on-site and off-site infrastructure, IFC investment, and technical assistance and knowledge products from various Bank units and the Investment Climate Department on SEZ-related policies, legal and regulatory frameworks, institutional design, and feasibility studies.

OUR WORK ON SEZS ? During 2009 and 2010, the World Bank's International Trade Department (PRMTR) has been leading a major global research study on SEZs – supported by a BNPP trust fund and in partnership with the SEZ team in the World Bank Group's Investment Climate Department – with a primary emphasis on the experience SEZ programs in Sub-Saharan Africa. The main question addressed in this study is: why have SEZs worked well as engines of growth in some countries but not in many Sub-Saharan African ones? Based on knowledge developed as part of this research, PRMTR is also supporting the World Bank Group's program looking at the potential role and impact of China's investment in African industrial zones on the development prospects for the region. Our portfolio of SEZ knowledge products in 2010 includes: I. A book summarizing the results of PRMTR's major research project: Special Economic Zones in Africa – assessing performance and learning from global experience (forthcoming); II.

A set of case studies of SEZ programs in ten countries (Bangladesh, Dominican Republic, Ghana, Honduras, Kenya, Lesotho, Nigeria, Senegal, Tanzania, Vietnam); III. Results from surveys of investors in SEZs in the same ten countries as above; IV. A series of notes covering topical issues in SEZs, including: regional trade agreements and SEZs; WTO rules and SEZ fiscal incentives; gender aspects of SEZs; using SEZs as catalysts for economic reform; training and skills development in SEZs; etc. and V. Notes related to China's investment in African industrial zones, including an overview of progress and challenges and a proposed framework for effective collaboration, as well as a note drawing lessons from China's experience in establishing a knowledge-sharing partnership for SEZs with Singapore in China's Suzhou Industrial Park. An investigation into the importance of special economic zones in developing economies by Raphael Monye on September 18, 2010

Over the past decade, there has been a sea change in economic policies in developing countries which are attempting to become more export-orientated, they have started setting up free trade zones. These zones are called " Special Economic Zones"(SEZ's) and feature various designed to encourage foreign investment. What is the significance of these zones? Have they really played an important role in the development of the economy of the developing countries? In this paper I first describe the background to the establishment of these zones, then I describe some of the aims and characteristics of the SEZ's.

Lastly, I attempt to assess the significance of the SEZ's in the development of the wider economy Historically, China for instance has adopted an inward-looking strategy to its economic development. Successive Chinese governments thought that the economy could grow purlythrough self-reliance. However, there are always limitations to what a country can do by itself, for example limitations in raw-materials, natural resources, technology, etc. These can hold back the growth of an economy and certainly China's economic growth lagged far behind much of the rest of the world up to the 1970? . The aims of the establishment of the sez's were to earn foreign exchange, to enhance employment, to attract foreign investment and to accelerate the introduction of technology and managementexpertise The favourable impact of the SEZ's on an economy of is fivefold: They attract foreign investment, they help the growth of the export industry, they earn foreign exchange, they provide employment opportunities and lastly they help the indigenous economy improve its level of technology.

I would now like to look at some of these points in more detail Since the beginning of the open-door policy, small-scale private businesses have been allowed to coexist with state enterprises. This has increased employment opportunities for local people and raised the level of economic activities in most developing countries. Also, many state workers sense that going into business on their own may provide greater income potential. Many prefer to work for joint-venture firms for higher wages.

So the average income in SEZ's ranks as the highest in most of these economies. In theory advanced technology and know-how will also flow into the country as a result of foreign investment. In turn, with increasing exports the force of international competition may bring greater pressure on firms to adopt more efficient work practices. It is perhaps questionable how much benefit the wider developing economies has reaped from these investments. The technology, patents and know-how remain firmly the property of, and are controlled by the parent companies.

It may however be the case that in the long run the workcultureand practices adopted by foreign companies could have some washback effect over wider economic practices in the country In conclusion, the establishment of the SEZ's has helped to increase the export trade which in turn has helped to improve the developing economy. Preferential treaties are been made in SEZ's to attract foreign investment. A large amount of foreign investment has occurred not only in the export trade, but also in infrastructure construction, commerce and tourism.

Foreign companies have been encouraged to set up factories in the territories and the export industry has grown. Jobs opportunities have been provided for locals as factories need labour and the average income of the people has increased. In addition, advanced foreign technology has been brought in with the inflow of foreign investment. All these factors have contributed to the growth of the developing economy. It remains to be seen if these quantitative advances, in which the SEZ’s have played an important role, are matched by commensurate advances in the quality of life for the majority of people in theses countries.

Special Economic Zones and tax exemption in China The key tax incentive for investing in China lies in the various options available for claiming tax concessions. The three main avenues are tax exemption, location-based concessions, and activity-based concessions. In theory, foreign-invested companies in China are subject to 30% corporation tax plus an additional 3% local corporation tax. In practice, however, foreign-invested companies rarely have to pay the full corporate tax rate. Tax exemption and 50% tax reduction

Manufacturing companies operating in China for at least ten years are granted a tax exemption period from the date of entering the profit zone. In the first two years they are fully exempt from corporation tax, and in the following three years they are granted a 50% reduction in the tax burden. The fiveyear period begins in the year in which an accumulated profit, after taking into account loss carryforwards, is recorded for the first time. However, the tax exemption period is not interrupted if at any time after commencement of the period a company once more records losses.

Furthermore, only taxable losses within a maximum carryforward period of five years are taken into account when determining the date on which an accumulated profit is recorded. Companies in the following sectors and areas are regarded as manufacturing companies and hence eligible for preferential taxation treatment: – Engineering and electronics industry; – Energy industry (excluding oil and natural gas extraction); – Metal industry, chemical industry, manufacture of construction materials; – Light industry, textile industry, manufacture of packaging materials; Medical and pharmaceutical industries; – Agriculture and forestry; – Construction industry; – Communications and transport industries (excluding passenger transport); – Scientific and technical development, geological studies, consulting services aimed at production improvements, maintenance services for production equipment and precision instruments. The above list is not exhaustive and may be extended to other areas. In principle, exemption followed by a reduction in the tax burden is only granted if the company's activities in China extend over at least ten years.

If operations in China are discontinued before this ten-year horizon, Chinese tax law requires that the concessions be reimbursed. Special Economic Zones and Economic and Technological Development Zones After China opened up back in 1980, government-promoted Special Economic Zones (SEZs) were set up to attract foreign investors to the country. The main purpose of these Special Economic Zones with their many investment incentives was to strengthen China's embattled economy with foreign capital and to modernise the country through foreign technology.

Manufacturing companies are generally granted a reduced tax rate of 15% in these zones, with full tax exemption in the first two years and a 50% reduction in tax during the three following years. Foreigninvested service companies and banks can also benefit from tax concessions but are subject to special regulations in these zones. The Special Economic Zones are in: – Shenzen, Guangdong Province; – Zhuhai, Guangdong Province; – Shantou, Guangdong Province; – Xiamen, Fujian Province; – Hainan Island, Hainan

Province. Moreover, Economic and Technological Development Zones ETDZs) were set up in 14 coastal cities of the People's Republic of China in 1984. To date this number has been extended to more than 50. The aim of these development zones was the targeted opening of investment zones for foreign investors, as well as research and development in specific areas through the application of modern foreign technologies. In particular, foreign investors in these zones are offered a complete infrastructure that meets international standards. Economic and Technological Development Zones are to be found not only in booming metropolises such as Shanghai, Beijing nd Shenzen, but also in all-important Chinese industrial cities as well as in cities of local economic importance in the interior. The Chinese accord these development zones the highest priority, which is why in recent years China's booming major cities in particular have evolved to become the favourite locations for foreign investors, due to the many concessions and well-developed infrastructure on offer. Nevertheless, when deciding on a location it is important to take into account the cost of labour, which is significantly cheaper in the more rural development zones in the interior.

Tax-wise, there is no difference between the Special Economic Zones and the other Economic and Technological Development Zones. Here, too, a reduced tax rate of 15% is generally applicable, with full tax exemption in the first two years and a 50% reduction in the following three years. Unlike the Special Economic Zones, however, the Economic and Technological Development Zones do not differentiate between manufacturing and service companies. Open coastal towns and old cities The 14 eastern ports of Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou,

Fuzhou, Guangzhou, Zhanjiang and Beihai were also opened to foreign investors in 1984. Now there are more than 300 open coastal cities and old towns in China, offering similar concessions to the Special Economic Zones. If these cities also contain a Special Economic Zone or an Economic and Technological Development Zone, companies are also granted a reduced tax rate of 24% outside these zones. If necessary a tax rate of 15% can also be granted subject to the approval of the Chinese authorities, provided the company's business falls into one of the following categories: Technological projects or projects requiring expertise; – Projects with a foreign investment volume of at least USD 300 million and a long repayment period; – Projects in the field of energy generation, communicationor port operations; – State-promoted projects. High-Tech Industrial Development Zones Only in recent years has the Chinese government created newer types of development zones called High-Tech Industrial Development Zones (HTIDZ) primarily aimed at promoting and further developing the scientific and economic potential inherent in China through foreign capital investment and the import of know-how.

Currently there are more than 50 HighTech Industrial Development Zones where foreign high-tech companies are granted a reduced tax rate of 15%. Joint ventures with a foreign partner scheduled to operate for over ten years may also be granted tax exemption or a 50% reduction in tax, similar to the above-mentioned concessions, subject to approval by the Chinese authorities. Currently the best-known High-Tech Industrial Development

Zone is the Zhongguancun Science and Technology Park in Beijing. Shanghai Pudong New Area By contrast, foreign companies operating in the financial, ndustrial and trade sectors have been enjoying numerous tax concessions in the Pudong district since 1992. Financial services providers in particular are becoming increasingly important in this context. While foreign financial institutes are prohibited from setting up offices in all other investment zones, this zone – which is also home to a stock exchange – is to be established as a financial centre. The applicable tax rate in this area is 15%. Moreover, in a bid to promote the infrastructure, the Shanghai Pudong New Area offers special tax incentives to foreign companies engaged in the construction of roads, railways, orts and airports as well as companies engaged in energy and transport projects. These companies are also offered a generally lower tax rate of 15%. If scheduled to operate for at least 15 years, these companies enjoy full exemption from taxes for the first five years and a 50% tax reduction for the following five years. Other regions In addition to the above-mentioned areas, a wide range of other regions grant foreign companies tax concessions with a view to attracting such businesses and promoting economic expansion in China’s structurally weak regions.

These currently include 13 open border cities, remote and underdeveloped regions as well as numerous central and western regions of China. Particularly in the remote and underdeveloped areas of China, companies enjoy full tax exemption for the first two years and tax concessions for up to 15 years. In all, 19 central and western provinces offer companies in defined industrial sectors a wide range of additional concessions which are listed in a catalogue specially drawn up for this purpose. Concessions for special sectors and activities

Nevertheless, eligibility for tax concessions is dependent not only on the choice of location but also on the company's business activities. For instance, special concessions are granted to export-oriented companies with an export ratio of more than 70% which are scheduled to operate for more than ten years. Companies which qualify as « technologically advanced» enterprises may request a three-year extension beyond the statutory five-year tax concession period. The requirements for eligibility in thisrespectare described in a special catalogue of criteria.

Qualification for such additional concessions is subject to an on-site examination by the authorities of the information provided in the application. Special concessions may also be requested by companies in the software industry, with the aim of turning China into a world leader in the field of software products. These primarily concern VAT and customs duties, but additional concessions may be granted in the form of a reduction in corporation tax to 15%, shorter depreciation periods or higher expense deductions provided the defined criteria are met. Furthermore, in order to make China's economic expansion nd infrastructure more attractive to foreign companies, longterm projects relating to port construction as well as in the Special Economic Zones of Hainan and Pudong and in the field of airport and rail construction enjoy substantial concessions up to and including full tax exemption for the first five years as well as a tax reduction of 50% for the following five years if, as above, they meet the relevant criteria. Similar conditions also apply to agricultural projects. Research and

Development (R& D) Centres can also enjoy tax concessions provided they meet a number of defined requirements.

Specifically, these govern employee qualifications, investment volume, the quality of equipment used, exclusive use of invested capital for R& D purposes, etc. The concessions granted are related to the transfer of technology developed in-house and associated consulting and other services, the import of business equipment including the associated technologies, accessories and spare parts, and increased deductions on R& D expenditure. On the other hand, companies in heavy industry and plant construction or companies engaged in the extraction of raw materials are expressly excluded from the statutory five-year tax concession