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## **SPECIAL ECONOMIC ZONES AND THEIR SIGNIFICANCE FOR ECONOMIC DEVELOPMENT OF CHINA AND ITS REGIONS**

### **1. Introduction**

Special Economic Zones (SEZs) constitute an instrument of supporting development of regions where they are located by establishing specific facilities and preferences for entrepreneurs investing in these areas. Successes of economic development zones and export processing zones, operating in Asian countries (i.e. in South Korea, Hong Kong, Taiwan and Singapore), contributed to making a decision on the implementation of similar solutions also in China. SEZs became an integral instrument of policy developed in China at the end of seventies of the 20<sup>th</sup> century, the aim of which was to open economy of this country, and at the same time to attract foreign direct investments, to win new technologies, to develop export (and to acquire foreign currency), or to stimulate economic development of particular regions, where they were located, and to improve life of their inhabitants. Various types of zones, which were privileged in this country, evolved and developed and they played an important role in the process of opening economy, as well as in transformations occurring in its regions. Once the Chinese policy in relation to these economic development zones is reoriented, positive effects of their operation should spread to other, less privileged areas of the country.

The aim of the article is to present SEZs and other economic development zones<sup>1</sup> which exist in China and the prospects of their further operation as well as

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<sup>1</sup> For the needs of the analysis it is accepted that as regards various types of special economic zones operating in this country, the following phrases are used: economic development zones, and privileged zones.

an attempt to evaluate significance of these zones for the development of regional economies of the whole country.

## 2. Special Economic Zones in China – basic characteristics

The policy of the so-called “open door” realized in China<sup>2</sup> and initiated by a number of reforms at the end of the seventies of the 20<sup>th</sup> century, was to cause the inflow of foreign direct investments (FDIs). The first reforms within this policy were implemented at first in 1978 (then they were extended in 1979) and they included establishment of SEZs, which served as the so-called window-base-bridge, among other things, by linking domestic and international markets.<sup>3</sup> The first SEZs were established in China in 1980 in Guangdong Province and they were the following special economic zones: Shenzhen, Zhuhai and Shantou. Xiamen SEZ was also established in that year in Fujian Province. These special zones constituted “laboratories for [...] experiments with market economy and foreign investments”,<sup>4</sup> in relation to which preferential policy was conducted. Following their establishment, adequate administrative adjustments were conducted (through offering various privileges, among other things, financial and investment ones in the mentioned SEZs) and adjustments concerning the improvement of infrastructure for the investors’ needs.<sup>5</sup> In 1988 further SEZ was established – Hainan, situated in the near proximity of Shenzhen SEZ.

The mentioned economic enclaves, which offered investors privileged conditions for conducting activity, were situated at the coastal areas of China, the first four around coastal cities. One of the factors which decided about such location of zones was their proximity to Hong Kong, Macao, Taiwan.<sup>6</sup> By establishing SEZs, the policy realized by the Chinese government was to test efficiency of market economy at these areas as well as to support activities within transformation of economy of this country. It is vital to mention that SEZs operated in different conditions than the remaining area of the country.<sup>7</sup>

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<sup>2</sup> This part of the paper concerning the characteristics of special economic zones and Chinese economic zones has been prepared on the basis of J.S. Prybyła, *China’s Special Economic Zones*, “ACES Bulletin” 1984, Vol. 26, Issue 4; *China’s Special Economic Zones and National Industrial Parks – Door Openers to Economic Reform*, “ProLogis Research Bulletin” Spring 2008 ([http://www.prologisresearch.com/supplychain/docs/China\\_Research\\_Final.pdf](http://www.prologisresearch.com/supplychain/docs/China_Research_Final.pdf); 4.03.2009); N.M. Firoz, F. Rezvani, T. Ramin, W. Abdallah, *Investing in China’s Economic Development Zones: A Managerial Guide*, “International Journal of Management” 2003, Vol. 20, No. 2; *Specjalne strefy ekonomiczne w Chińskiej Republice Ludowej, Kanton, styczeń 2005 r.* (<http://www.polandguangzhou.com/pl/pub/27,0.htm>; 4.03.2009).

<sup>3</sup> According to G. Meng, *Experiences and Prospects of China’s Free Economic Zones after over 20 Years*, “Chinese Business Review” 2005, Vol. 4, No. 9, pp. 30, 32.

<sup>4</sup> X. Wei, Acquisition of Technological Capability through Special Economic Zones (SEZs): The Case of Shenzhen SEZ, “Industry and Innovation” 2000, Vol. 7, No. 2, p. 203.

<sup>5</sup> *China’s Special...; J.S. Prybyła, op. cit.*

<sup>6</sup> *Still in the Zone*, “Business Asia” May 1<sup>st</sup> 2006, The Economist Intelligence Unit Limited, p. 8.

<sup>7</sup> J.S. Prybyła, *op. cit.*, pp. 3-4; *China’s Special...; p. 1 ff.*

Operating of the first SEZs and other economic development zones within the realized policy of open door caused that in 1984 USD 1.3 billion flew to these areas in the form of foreign investments.<sup>8</sup> During their development SEZs underwent an evolution taking into account the nature of conducted activity as well. In the first years of their operation they realized the pro-export policy within the basic activity, on the basis of significant amounts of unskilled workforce, and then they based their operation on advanced technologies in a wider and wider scope. Economic and Technological Development Zones (ETDZs) are developing towards this direction. The basic characteristics of these privileged areas are presented in Table 1.

Table 1. Special Economic Zones<sup>9</sup> and National ETDZs in China – basic characteristics, 2006

Items	Special Economic Zones	National ETDZs	China
Total employment (millions)	15	4	758
as % of China total	2.0	0.5	100.0
Real GDP (RMB 100 million)	9101	8195	183 085
as % of China total	5.0	4.5	100
Utilized FDI (USD 100 million)	55	130	603
as % of China total	9.1	21.6	100.0
Merchandise Exports (USD 100 million)	1686	1138	7 620
as % of China total	22.1	14.9	100.0
Total population (millions)	25	–	1 308
as % of China total	1.9	–	100.0

Source: *China's Special...*, p. 5.

As the data presented in Table 1 show, in 2006 only 2% of the employees in total were employed in Chinese SEZs. However, these privileged areas generated about 5% of the real GDP, the amount of utilized FDI in SEZs constituted over 9% of FDI which flew to China. Whereas, the amount of export from these areas constituted over 22% of the total Chinese export in 2006. SEZs, which had been established, were developing dynamically, which resulted in the increase of the number of inhabitants who came to these areas characterized by higher remunerations (also due to more flexible attitude to labour market regulations in these zones).

Among SEZs, Schenzen SEZ is the most active as regards the amount of export, FDI inflow or contribution in generating real GDP (Table 2). The amount of export performed from this zone constituted over 80% of the total amount of export coming from Chinese special economic zones in 2006.

<sup>8</sup> S. Demurger, J.D. Sachs, W.T. Woo, S. Bao, G. Chang, A. Mellinger, *Geography, Economic Policy and Regional Development in China*, Discussion Paper No. 1950, Harvard Institute of Economic Research, March 2002, pp. 17-18 (<http://www.economics.harvard.edu/pub/hier/2002/HIER1950.pdf>; 20.03.2009).

<sup>9</sup> Refers to 5 SEZs.

Table 2. Operation of SEZs in China in the years 1990-2006 – basic characteristics

Years/Special Economic Zones	Total population (in thousands)	Total employment (in thousands)	Real GDP (billions of constant – RMB)	Utilized FDI (millions of US dollars)	Exports (millions of US dollars)
<b>1990</b>					
<b>Total</b>	<b>13 648</b>	<b>7 085</b>	<b>44.5</b>	<b>762.8</b>	<b>10 732.8</b>
Shenzhen	1 678	1 092	17.2	389.9	8 151.6
Zhuhai	641	393	4.1	69.1	488.6
Shantou	3 698	1 875	7.2	130.8	839.6
Xiamen	1 119	679	5.7	72.4	781.5
Hainan	6 512	3 046	10.2	100.5	471.4
<b>2000</b>					
<b>Total</b>	<b>22 497</b>	<b>11 994</b>	<b>402.5</b>	<b>4409.8</b>	<b>47 488.0</b>
Shenzhen	7 012	4 750	218.7	1961.5	34 563.3
Zhuhai	1 237	789	33.1	815.2	3 645.8
Shantou	4 588	2 071	42.7	170.9	2 596.1
Xiamen	2 050	1 038	50.2	1031.5	5 879.8
Hainan	7 609	3 346	52.7	430.8	802.9
<b>2006</b>					
<b>Total</b>	<b>25 274</b>	<b>14 863</b>	<b>910.1</b>	<b>5465.7</b>	<b>168 640.0</b>
Shenzhen	8 464	6 475	581.4	3268.5	136 095.6
Zhuhai	1 416	940	63.5	666.1	10 770.7
Shantou	4 954	2 228	74.1	139.6	3 483.0
Xiamen	2 250	1 395	100.7	707.5	17 268.2
Hainan	8 190	3 825	90.5	684.0	1 022.5

Źródło: *China's Special...*, p. 8.

Investments of modern technologies flow into the economic and technological development zones. They differ from the previously indicated SEZs in their scope of operation as well. SEZs cover cities or countryside, whereas the area of ETDZs is much smaller. In the years 1984-1993, 32 such ETDZs were established, and at present there are 54 of them. In 1990 a new development zone – Pudong – was established.<sup>10</sup> Apart from SEZs, many various types of economic development zones were established in China,<sup>11</sup> the total number of which was reduced to about 2000 till the end of 2005 (at the national and sub-national level).<sup>12</sup> Selected types of the mentioned zones are presented in Table 3.

<sup>10</sup> See: W. Guo, Y. Feng, *Special Economic Zones and Competitiveness. A Case Study of Shenzhen, the People's Republic of China*, PRM Policy Note, November 2007, Asian Development Bank, p. 3 (<http://www.adb.org/Documents/Reports/PRM-Policy-Notes/Special-Economic-Zone-Shenzhen.pdf>; 4.03.2009).

<sup>11</sup> About a few thousand.

<sup>12</sup> *Political Risk Yearbook; China Country Forecast, 2009* (1 November 2008, Country Conditions, Climate for Investment & Trade), The PRS Group, USA, p. 6.

Table 3. Main types of state-level zone which operate in China at present

Name of economic development zones	Number	Basic characteristics
Economic and Technological Development Zones (ETDZ)	54	Established in coastal cities and in the so-called open cities, in the years 1984-1988 14 of them were established, objective: attracting foreign investors and modern technologies (preferences as regards projects referring to modern technologies), promotion of region's economy development, increase/promotion of export.
Free Trade Zones (FTZs)	15	The first zone was established in 1990, FTZs are located in ports or within their proximity. Activity performed there includes: foreign trade, marketing, trade, export processing – only simple processing is allowed, such as: warehousing, mixing, sorting, packing, assembling, loading parts, etc., customs service. Only in this type of zones, was it allowed to establish enterprises belonging to a foreign investor as a whole, which has already been abolished.
High-Tech Industrial Processing Zones	53	Preferences refer to investments in new/highly advanced technologies, and other types of investments are acquired as well.
Export Processing Zones (EPZs)	56	Established in 2000, at the beginning the number of them amounted to 15, they are established mainly within the existing economic zones, the area of them amounts to about 2-3 km <sup>2</sup> . Established in order to promote export of products manufactured in China. Allowed activity: export processing and related to this activity warehousing, freight transport.
National Border & Economic Cooperation Zones	14	Established to benefit common trade development, to perform re-export – with the nearest countries/neighbouring areas.

Source: on the basis of: *China's Special...*, pp. 10-11; *Specjalne strefy...*; *Still in the Zone*, p. 8; N.M. Firoz et al., *op. cit.*, pp. 225-227; *Regional Development and Free Trade Zones* ([http://www.usembassy-china.org.cn/fcs/china%20pulse/regional\\_dftz\\_may.doc](http://www.usembassy-china.org.cn/fcs/china%20pulse/regional_dftz_may.doc); 15.03.2009).

### 3. Objectives lying behind the establishment of SEZs and facilities offered to investors

Specific objectives lied behind the establishment of SEZs in China, among which the following ones are mentioned:<sup>13</sup> stimulating the inflow of foreign capital, modern technologies, development of export (promoting strategies of development of economy based on export) and consequently obtaining foreign means of payment, stimulating dynamic economic development of the country and regions where they are located, sharing experience and spreading positive effects/benefits gained from the operation of the said economic zones to the Chinese internal regions.

<sup>13</sup> Prepared on the basis of *China's Special...*; N.M. Firoz, H.A. Murray, *Foreign Investment Opportunities and Customs Laws in China's Special Economic Zones*, "International Journal of Management" 2003, Vol. 20, No. 1; *Specjalne strefy...*, pp. 16-17.

Investment mechanism in SEZs consists mainly in companies performing and developing necessary infrastructure within the zones for which bank credits can be a source of financing. The established buildings/production shops are leased by investors who pay to the companies financing credit costs. This is how gradual development of SEZs takes place and they are stimulated by developed investments. There are exceptions to this presented model of SEZs development.<sup>14</sup>

SEZs development, in particular in coastal areas, was facilitated by the geographical location, proper natural conditions, low costs of workforce, and natural resources. Moreover, starting business activity there was facilitated by the proper level of infrastructure, clear system of facilities available for entrepreneurs and advantages which might be achieved as a result of starting business activity in the zone, safety and stability, as regards the system of offered facilities as well as experience gained by zones as regards cooperation with foreign investors. It shall be stressed that the greatest benefits are often times offered by economic zones (among other things while taking into account the state of infrastructure development) situated in the east of the country as compared to those located in its inner part.<sup>15</sup> However, a uniform act on the activity of SEZs at the national level has not been established, and instead, a number of separate acts and normative acts regarding these particular zones were introduced. Decisions of the National People's Congress governed the establishment of the first four SEZs, whereas the establishment of Hainan SEZ was governed by the decisions of the State Council of the People's Republic of China. Whereas, as regards Industrial and Technological Development Zones, it was the decision of the State Council of the People's Republic of China which established them.<sup>16</sup>

The existing system of low taxes and tax holidays, and therefore a preferential policy, facilitated the inflow of investors to these zones. However, on the other hand, due to difficulties with getting access to the Chinese market (due to a lack of possibility of free export to this country as a result of existing barriers), foreign investors through the establishment of mainly joint ventures in these economic development zones obtained, apart from privileges for conducting activity, the possibility to export goods manufactured there and to re-export.<sup>17</sup>

#### **4. SEZs as an instrument of social and economic development of the country and existing interregional disparities**

Dynamic development of Chinese economy has not been reflected evenly, since, as the economy was growing quickly, the said benefits did not spread to all regions. In the years 1998-2002 a real GDP growth rate of China amounted to

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<sup>14</sup> *Specjalne strefy...*, pp. 25-26.

<sup>15</sup> *Still in the Zone*, p. 9; *Specjalne strefy...*, pp. 16-17.

<sup>16</sup> *Specjalne strefy...*, p. 18.

<sup>17</sup> N.M. Firoz, H.A. Murray, *op. cit.*, p. 110.

8.1%, whereas in the years 2003-2007 – to 10.8%. In 2007 a real GDP growth rate amounted to 12%. In this year, the country had a positive balance of payments (USD 315.38 billion).<sup>18</sup> The existing inequalities in regional development of the Chinese economy are connected with historic background (the eastern coast has always stood out as an area of relatively high level of development and infrastructure state) and are the result of natural conditions.<sup>19</sup> Moreover, the policy of reforms conducted by the Chinese government and steps which were with reference to regional development contributed to differences within the territory of the country. Activities performed by Deng Xiaoping, which are connected with opening economy through supporting privileged areas at the eastern coastal areas, caused intensive inflow of FDI to these regions, as well as concentration of foreign investments there (contributing to the improvement of the standard of living of its inhabitants). As a result, these regions recorded a high dynamics of growth as compared to other parts of the country. However, the expected effects connected with the spread of growth benefits from these established centres for growth, to other inner regions of the country did not occur (they were not enough), quite the contrary, intensive migration of people to these thriving areas took place. It deepened the already existing economic and social gap in relation to the remaining part of the country, which could cause social conflicts. It also influenced political decisions which were made. Therefore specific regional development programmes were introduced, which were directed to central and western parts of the country and which were aimed to control regional disproportions, and on the other hand, to counteract them. These were the following programmes: the western development strategy implemented in 1998, “Revitalising the North-East” development strategy commenced in 2003, and then “The Rise of Central China” which supported development of these regions as far as financial matters were concerned. The country was divided into the so-called eastern, central and western region for the needs of the implemented development policies.<sup>20</sup>

SEZs evolve, therefore, particular stages of their development till 1995 can be distinguished.<sup>21</sup> In the period from 1978 till the first half of 1980, despite significant increase of SEZs and investment inflow, investments did not reach technologically advanced sectors, low transfer of technologies took place, significant

<sup>18</sup> Political Risk Yearbook; China Country Forecast, 2009 (1 July 2008), The PRS Group, USA, p. 7.

<sup>19</sup> See for example S. Demurger et al., *op. cit.*

<sup>20</sup> This paragraph has been prepared on the basis of L. Yu-jiang, Ch. Pei-an, *Strategic Choice of Regional Economy Development in China*, “Journal of US-China Public Administration” 2007, Vol. 4, No. 5, p. 63; Y. Zheng, M. Chen, *China’s Regional Disparity and Its Policy Responses*, The University of Nottingham, China Policy Institute, Briefing Series – Issue 25, September 2007 ([http://www.nottingham.ac.uk/shared/shared\\_cpi/documents/policy\\_papers/Briefing\\_25\\_China\\_Regional\\_Disparity.pdf](http://www.nottingham.ac.uk/shared/shared_cpi/documents/policy_papers/Briefing_25_China_Regional_Disparity.pdf), 20.03.2009).

<sup>21</sup> Prepared on the basis of: T. Ota, *The Role of Special Economic Zones in China’s Economic Development as Compared with Asian Export Processing Zones: 1979-1995*, Asia in Extenso, March 2002 (<http://www.iae.univ-poitiers.fr/EURO-ASIE/Docs/Asia-in-Extenso-Ota-mars2003.pdf>, 20.03.2009), pp. 18-22.

amounts of domestic capital were applied, and investments coming from Hong Kong dominated. Therefore, a decision on reorientation of this policy was made, and the next stage lasted till the beginning of the nineties. At that time, the significance of zones diminished to the benefit of other privileged areas and the suggestion to transform SEZs into “window for high technology” appeared, which resulted in economic and social discrepancies among the regions. At the beginning of the nineties, a decision was made, according to which it was impossible to continue with the accepted strategy in the form in which it functioned till that time, due to significant differences among the regions (despite opening further privileged zones in the inner part of the country). The 9<sup>th</sup> Five Year Plan (1996-2000) was referring to this direction and was aimed at reducing the existing discrepancies among the regions.

There are regional inequalities in economic development of particular parts of China, however, one can depict predominance of the eastern part over the other areas of the country, i.e. the central and western one. The coastal area is characterised by the highest dynamics of development (in particular from the beginning of the eighties of the 20<sup>th</sup> century), at the beginning of the nineties of the 20<sup>th</sup> century disproportion deepened even more. The contribution of the central part into the country's GDP formation decreased (Table 4).

Table 4. Comparison of the China three economic zones in GDP changes output 100 million yuan in the years 1952-2005 (the proportion in %), and *per capita* value in 2005

Area	1952		1978		1990		2005		2005	
	output	proportion	output	proportion	output	proportion	output	proportion	<i>per capita</i> value (yuan)	on the ground that the value of West is 1
East	310.99	50.84	1 817.96	52.50	9 899.66	53.87	105 534.4	58.20	19 110.93	2.16
Central	200.86	32.80	1 064.66	30.74	5 497.12	29.92	50 256.6	27.72	12 336.54	1.40
West	99.87	16.33	580.56	16.76	2 978.37	16.21	25 522.0	14.08	8 829.2	1
Total	611.72	100.00	3 463.18	100.00	18 375.15	100.00	181 313.00	100.00	–	–

Source: L. Yu-jiang, Ch. Pei-an, *op. cit.*, pp. 60-61.

Privileges offered within economic zones, which exist only in some areas, and, together with that, unequal inflow of foreign direct investments to particular Chinese regions influenced the appearance/strengthening of inequalities among the regions.

Inequalities among regions exist, when one compares GDP generated in particular regions, the FDIs inflow, as well as the amount of export coming from particular zones. FDIs concentrate mainly at the coastal areas and in big cities<sup>22</sup> (Table 5, Fig. 1).

<sup>22</sup> Y. Zheng, M. Chen, *op. cit.*



Table 5. Gross regional product\* in China, data from 2006 (data at current prices)

Item	Gross Regional Product (100 million yuan)	Composition (GRP=100)			Gross Regional Product <i>per capita</i> (yuan) (a ranking of regions according to GDP/inhabitant)
		primary industry	secondary industry	tertiary industry	
Eastern region					
Beijing	7 870.28	1.3	27.8	70.9	5 0467 (2)
Fujian	7 614.55	11.8	49.1	39.1	2 1471 (9)
Guangdong	26 204.47	6.0	51.3	42.7	2 8332 (6)
Hainan	1 052.85	32.7	27.4	39.9	12 654 (18)
Hebei	11 660.43	13.8	52.4	33.8	16 962 (11)
Jiangsu	21 645.08	7.1	56.6	36.3	2 8814 (5)
Liaoning	9 251.15	10.6	51.1	38.3	2 1788 (8)
Shandong	22 077.36	9.7	57.7	32.6	2 3794 (7)
Shanghai	10 366.37	0.9	48.5	50.6	5 7695 (1)
Tianjin	4 359.15	2.7	57.1	40.2	4 1163 (3)
Zhejiang	15 742.51	5.9	54.0	40.1	3 1874 (4)
Central region					
Anhui	6 148.73	16.7	43.1	40.2	10 055 (28)
Heilongjiang	6 188.9	11.9	54.4	33.7	16 195 (12)
Henan	12 495.97	16.4	53.8	29.8	13 313 (16)
Hubei	7 581.32	15.0	44.4	40.6	13 296 (17)
Hunan	7 568.89	17.6	41.6	40.8	11 950 (21)
Jiangxi	4 670.53	16.8	49.7	33.5	10 798 (24)
Jilin	4 275.12	15.7	44.8	39.5	15 720 (13)
Shanxi	4 752.54	5.8	57.8	36.4	14 123 (15)
Western region					
Chongqing	3 491.57	12.2	43.0	44.8	12 457 (19)
Gansu	2 276.7	14.7	45.8	39.5	8 757 (30)
Guangxi	4 828.51	21.4	38.9	39.7	10 296 (27)
Guizhou	2 282.00	17.2	43.0	39.8	5 787 (31)
Inner Mongolia	4 791.48	13.6	48.6	37.8	20 053 (10)
Ningxia	710.76	11.2	49.2	39.6	11 847 (22)
Qinghai	641.58	10.9	51.6	37.5	11 762 (23)
Shaanxi	4 523.74	10.8	53.9	35.3	12 138 (20)
Sichuan	8 637.81	18.5	43.7	37.8	10 546 (25)
Tibet	291.01	17.5	27.5	55.0	10 430 (26)
Xinjiang	3 045.26	17.3	48.0	34.7	15 000 (14)
Yunnan	4 006.72	18.7	42.8	38.5	8 970 (29)

\* GRP – Gross Regional Product; according to administrative division as per the state at the end of 2006, the territory of China consists of provinces, autonomous regions and municipalities directly under the Central Government and these ones are divided into smaller entities (<http://www.stats.gov.cn/tjsj/ndsj/2007/indexeh.htm>; 20.03.2009). Moreover, special administrative regions are recognized (Hong Kong and Macau) and Taiwan are not included in the table. At present there are 22 provinces, 5 autonomous regions, 3 independently attached cities and 1 special administrative region. *Political Risk Yearbook...* (1 July 2008), p. 5.

Source: statement on the basis of data: *China Statistical Yearbook 2007* (<http://www.stats.gov.cn/tjsj/ndsj/2007/indexeh.htm>; 12.03.2009). Classification of particular Chinese regions, which are included as: eastern, central and western regions, was presented as in: Y. Zheng, M. Chen, *op. cit.*, footnote 1.

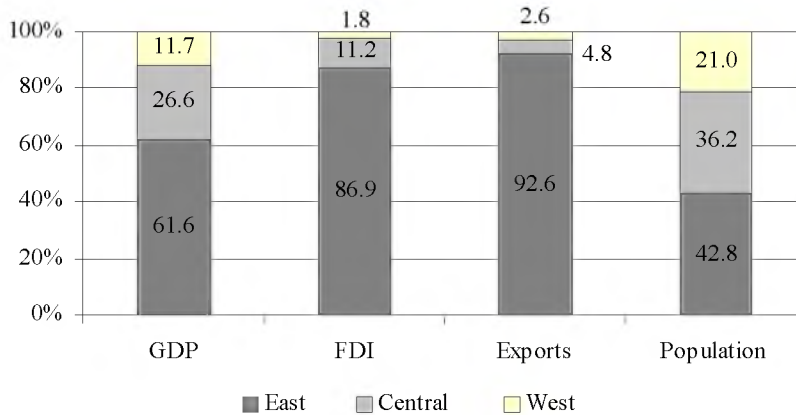


Fig. 1. The amount of GDP and export coming from particular regions of China and the FDIs inflow in 2006 (in percent)

Source: Y. Zheng, M. Chen, *op. cit.*

Particular Chinese regions differ as far as economic structure and therefore contribution of particular sectors in generating regional product are concerned. The highest value of regional product was generated in Guangdong province, the second was Shandong in 2006, namely in the provinces located at the eastern coast of the country.

## 5. Challenges and prospects for further operation of economic zones in China

Over the years, evolution in the model of economic zones in China was taking place. It was the result of internal conditions, i.e., reorientation of policy from the beginning of the nineties of the 20<sup>th</sup> century; preferential policy and privileges offered to the mentioned zones are gradually being reduced<sup>23</sup> and the policy which promotes development of new technologies is being implemented. Particular types of zones are at various levels of development.

The external challenges are connected with China's accession to the WTO in 2001 and it implies that the relevant rules of this organisation must be respected by this country. It refers to used policies and privileges for the mentioned zones in China, which are contrary to those promoted within the WTO, among other things, the ones referring to the location of zones. The preferential policy in the regions

<sup>23</sup> In March 2007 a new Corporate Income Tax Law was adopted by National People's Congress. It came into force as of 1 January 2008, under which the majority of tax privileges given to foreign investors has been eliminated. As per: *Political Risk Yearbook...* (1 November 2008), pp. 3-6.

which refers to economic zones is subject to reorientation, so that the differences between zones and other regions, which are less privileged, do not increase. Another objective is to cause benefits resulting from the zones operation to other regions, as well as not to attract investments of low technological development level.<sup>24</sup> Changes concerning attitude within FDI inflow policy were specified in a five-year investment plan in relation to foreign investments. According to the plan, in the years 2006-2010 pressure is to be put on the quality of accepted foreign investments, not on their quantity, therefore, investments concerning among other things advanced technologies will be preferred.<sup>25</sup> Particular zones are also subject to evolution, as regards the activity performed there, among other things, such

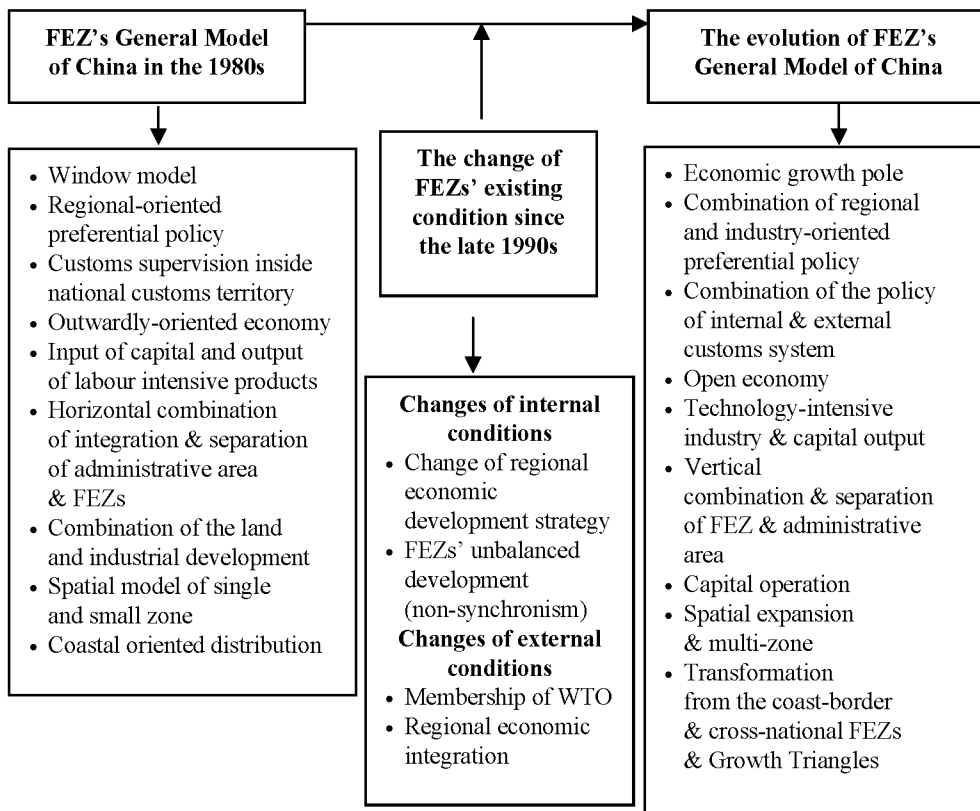


Fig. 2. Reorientation of a model of free economic zones operating in China

Source: G. Meng, *op. cit.*, p. 39.

<sup>24</sup> G. Meng, *op. cit.*, pp. 31-34.

<sup>25</sup> *Political Risk Yearbook...* (1 November 2008), p. 2.

changes take place in Schenzen SEZ.<sup>26</sup> Figure 2 depicts the evolution of economic zones model and reorientation of Chinese policy in relation to economic development zones.

## 6. Summary

Economic development zones established in the Chinese regions have become an important instrument of economic policy of this country. Their role within this scope is unquestionable, especially as regards attracting foreign direct investments and development of export production. One of the main reasons for establishing SEZs in China was to support economic development of the regions where they were set, and at the same time, to facilitate social and economic development of the whole country. However, there are still significant differences as regards spatial development of the country and there is the need to conduct appropriate policy by the Chinese government, which is aimed at controlling the said differences. ZESs are subject to evolution, which is the result of external conditions implied by China membership in WTO and the necessity to implement the undertaken obligations as well as the result of internal conditions. The role of economic development zones in this country must be changed, however, the described zones are privileged due to existing location factors, which still attract foreign investors.

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<sup>26</sup> According to the plan accepted for the years 2006-2010, the basic four pillars of Schenzen SEZ development will be the following: high technologies, finances, logistics, and culture. Therefore, one can notice resigning from the initial model accepted for this zone as regards the conducted activity (*Still in the Zone*, p. 8). More on this SEZ transformation connected with the construction of comparative advantage of this zone i.e., from labour intensive stage to the stage based on intensive-technology in: X. Wei, *op. cit.*, pp. 199-221.

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## SPECJALNE STREFY EKONOMICZNE I ICH ZNACZENIE DLA ROZWOJU GOSPODARCZEGO CHIN I ICH REGIONÓW

### Streszczenie

Specjalne strefy ekonomiczne stały się ważnym elementem polityki Chin na rzecz transformacji jej gospodarki i zwiększenia dynamiki rozwoju oraz przyciągnięcia zagranicznych inwestycji bezpośrednich. W artykule wskazano na strefy ekonomiczne funkcjonujące w Chinach oraz ich ewolucję. Obecnie te strefy rozwoju gospodarczego mają na celu przyciągnięcie nowoczesnych technologii, mają stać się także ośrodkami wzrostu, których pozytywne efekty będą rozprzestrzeniać się na regiony mniej uprzywilejowane. Niemniej jednak dysproporcje pomiędzy poszczególnymi chińskimi regionami wciąż istnieją i podejmowane są działania, aby te różnicowania kontrolować i zmniejszać.