

China

Comparison among Development Zones in China

Compiled by:

Swiss Business Hub China

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Comparison among Development Zones in China

	Pilot Free Trade Zones (FTZs)	Special Economic Zones (SEZs)
Total Number (until 2015)	4	6
Locations	Shanghai, Tianjin, Fujian and Guangdong	Shenzhen, Zhuhai, Shantou, Xiamen, Hainan and Shanghai Pudong New Area
Economic Focus	<ul style="list-style-type: none"> - Presenting as a testing ground for new reforms; - Easing of restrictions on foreign currency exchange and foreign participation in China's e-commerce sector; - Implementing foreign investment negative list which provides an outline of the sectors in which foreign investment is restrained; - Faster company registration process; - Opening up industries to investors from either Taiwan (Fujian), or Hong Kong and Macau (Guangdong); - Differences from Bonded Areas: <ul style="list-style-type: none"> 1. FTZ: "Inside the Border but Outside of Customs" (境内关外): <ul style="list-style-type: none"> A. the import and export of goods in FTZ are not under the customs supervision, no cost of customs clearance; B. foreign goods shipped to FTZ and goods from FTZ shipped overseas are not under customs supervision; C. "strict and effective control over the boundary between the FTZ and the domestic market": goods from FTZ shipped to domestic non-FTZ market or goods from domestic non-FTZ market shipped to FTZ, corresponding tariff and taxes will be levied in line with the related provisions of the Customs Law of P.R.C. Bonded Area: "Inside the Border and Customs" (境内关内): 	<ul style="list-style-type: none"> - First type of economic zones established by the Central Government in 1978. - A series of preferential policies to attract foreign investors, such as autonomous operating rights, tax incentives etc.; financing, commercial, and tourism facilities were also built to accommodate the coming foreign investors. e.g., Shenzhen SEZ provided various incentives, including streamlined administrative processes, sound infrastructure and other utilities, land reform, rapid customs clearance, repatriation of profits and capital investments, reduced duties on imports, concessionary tax rates, export tax exemption, flexibility in hiring and firing workers, depreciation allowances. - China replicated this model in a number of other cities, allowing SEZs to enjoy a great deal of autonomy in formulating friendly legislation to the zone's purpose. However, the 2008 Corporate Income Tax (CIT) Reform² ended most of the SEZ-specific tax incentives, including the 15 percent CIT rate and other preferential tax policies. - For the past three decades, smaller development zones such as economic and technological development zones, bonded areas and export processing zones have been built within SEZs to create new incentives. Furthermore, the flexible legislation, advanced infrastructure and great locations still make SEZs highly sought-after investment regions.

² 2008 Corporate Income Tax (CIT) Reform: The new Corporate Income Tax law effective on 1 January, 2008 established a unified 25% corporate income tax rate for both domestic companies and Foreign Investment Enterprises (FIEs) in China. The unified tax rate significantly reduced domestic companies' nominal tax burdens, but for many FIEs currently under the preferential tax regime, their tax costs were increased. From Tax Alert March 2007, Ernst & Young Ltd http://www.sccc.ch/download/info/law/200703_CorplIncomeTax_ErnstYoung.pdf

(continue)

A. **the import and export of goods in Bonded Area are under the customs supervision**, each good must have a customs entry filed;

B. for goods in Bonded Area shipped overseas and foreign goods shipped to Bonded Area, no tariff and import linkage tax ¹are levied, import license and regular customs supervision formalities are not required;

C. Whenever goods from Bonded Area are shipped to domestic market or goods from domestic market are shipped to Bonded Area, corresponding tariff and taxes will be levied in line with the related provisions of the Customs Law of P.R.C.

2. Most goods in FTZ is managed by gate sentry, the procedures are simplified and the transaction costs are lower;

Goods in Bonded Area is managed by bookkeeping since the tariff and tax exemption are temporary;

3. **FTZ acts as a logistics distribution center** with large volumes of goods flowing in and out; processing trade is well-developed; will lead to regional economic development;

Bonded Area mainly serves as entrepot, not a major impetus to regional economic development.

¹ Import linkage tax: domestic tax levied by the Customs, including value-added tax, consumption tax and tonnage dues.

Comparison among Development Zones in China (cont. 1)

	Economic and Technological Development Zones (ETDZs)	High and New Technology Industrial Development Zones (TIDZs)
Total Number (until 2015)	Over 190 national-level ETDZs A number of ETDZs at the provincial and municipal levels	114 national-level TIDZs A number of TIDZs at the provincial and municipal levels
Locations		
Economic Focus	<ul style="list-style-type: none"> - Three types: <ol style="list-style-type: none"> 1. Developing cutting-edge technologies and nurturing new and emerging industries. Relying on well-developed metropolitan areas, such as Tianjin and Shanghai; 2. Focusing on international trade, areas adjacent to deep-water ports and with well-developed communication and transportation infrastructure, such as Dalian and Ningbo; 3. Utilizing local endowments, further divided into resource-rich, agricultural and tourism zones. <ul style="list-style-type: none"> - Some policies are similar to those in SEZs. - Providing high quality infrastructure and facilities. - Investors should be cautious: many of the so-called Regional ETDZs are not certified and often prove to be less regulated. 	<ul style="list-style-type: none"> - Similar to ETDZs, but focusing on science and technology innovation through FDI. - Supervising start-up companies and supporting research and development activities. - Related industries can grow locally in so-called incubators.

Comparison among Development Zones in China (cont. 2)

Major Border Development Areas		Bonded Areas
Total Number (until 2015)	<p>A. 5 key pilot development and opening up zones;</p> <ol style="list-style-type: none"> 1. Dongxing, Guangxi; 2. Ruili, Yunnan; 3. Mengla (Mohan), Yunnan; 4. Manzhouli, Inner Mongolia; 5. Erenhot, Inner Mongolia. <p>B. 72 national-level border ports;</p> <p>C. 28 border cities;</p> <p>D. 17 border economic cooperation zones;</p> <p>E. One cross-border economic cooperation zone: China-Kazakstan Horgos Frontier International Cooperation Center</p>	<p>15 national-level Bonded Areas: Shanghai Waigaoqiao, Tianjin Port, Shenzhen Futian, Shenzhen Shatoujiao, Shenzhen Yantian Port, Dalian, Guangzhou, Zhangjiagang, Haikou, Xiamen Xiangyu, Fuzhou, Ningbo, Qingdao, Shantou, Zhuhai.</p>
Locations		
Economic Focus	<p>The economic cooperation zone, including two types: 17 border economic cooperation zones and one cross-border economic cooperation zone.</p> <ul style="list-style-type: none"> - Delegating power or cancel government reviews for more items relating to clearance as well as imports and exports at national-level border ports; - Trying out the foreign investment management mode of pre-establishment national treatment with a negative list; - Simplifying industrial and commercial registration in major border areas; - Encouraging processing trade and exports of competitive products; - Setting up pilot tourist zones and implementing port visa policy in eligible pilot zones so that overseas tourists can be issued certificates for multiple departures and entries every year. 	<ul style="list-style-type: none"> - Including Bonded Logistics Parks, Bonded Port Areas, Comprehensive Bonded Zones and Bonded Warehouse Zones; - Focusing on bonded warehouse, export-oriented processing and entrepot trade; - Differences from FTZ: see FTZs column

Comparison among Development Zones in China (cont. 3)

	Export Processing Zones (EPZs)	Logistics Parks	Comprehensive Development Zones (CDZs)
Total Number (until 2015)	58		
Locations			
Economic Focus	<ul style="list-style-type: none"> - Exclusively used to manufacture, process and assemble export commodities; - All or most of the products manufactured in these zones are for export purposes; - Significant differences from FTZ are the size and scope, as part of larger development zones, EPZs are relatively small and allow only export-oriented companies the chance to invest. 	<ul style="list-style-type: none"> - Developed in urban environments to facilitate the development and management of logistical services; - Three categories: Regional Logistics Organization Parks, Commerce and Trade Logistics Parks and Transport Hub Logistics Parks 	<ul style="list-style-type: none"> - Covering a large area of a few hundred sq km and bolstering a variety of industries; - Upon the completion of their development, these zones are transformed into new towns or urban areas, such as the West Area of Zhuhai and Suzhou Industrial Park. i.e. during the development and construction of Suzhou Industrial Park, the improvement of people's livelihoods was considered fundamental to economic and social development. This involved doubling income and improving education, culture, health, sport, social security and other social services. The four towns under the administration of the Park all rank among the top level inside the city.

Appendix:

Swiss Companies in four Free Trade Zones ³	
FTZs	Number of Swiss Companies
A. Tianjin	
The Tianjin Port area	No
The Tianjin Airport area	2
The central business district in the Binhai New Area	No
B. Shanghai	
	23
C. Fujian	
Xiamen	No
Pingtang	No
Fuzhou	No
D. Guangdong	
Nansha New Area	No
Shenzhen Qianhai Development Zone	No
Zhuhai Hengqin	No

³ This list has been compiled according to the following sources: SBH offices in Beijing, Shanghai and Guangzhou, various phone calls with local authorities, SwissCham Shanghai, Swiss Center Shanghai, but may not report the complete presence of the companies.

Reference:

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3. A Closer Look at China's Free Trade Zones – Part I

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4. Understanding Free Trade Zone (教你读懂自贸区)

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5. Differences between Free Trade Zone and Bonded Area (自贸区与保税区的区别是什么?)

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CHEN Fangfang

Trade Assistant

Swiss Business Hub China, Beijing Office

Swiss Business Hub China

c/o Embassy of Switzerland in Beijing No. 3 Sanlitun Dong Wu Jie, Beijing 100600, China

Tel: +86 10 8532 7533

Fax: +86 10 6532 2736

Email: fangfang.chen@eda.admin.ch

<http://www.eda.admin.ch/eda/en/home/rep/asia/vchn/embbei/sbh.html>