

Research Series on the Chinese Dream
and China's Development Path

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China's Outbound Foreign Direct Investment Promotion System

Chapter 7

The Overseas Economic and Trade Cooperation Zone Promotion Subsystem

From the mid-1990s onward, the national leaders of many developing countries, and even some developed countries, have expressed the hope of introducing China's experience with reform and opening up, and its development zone or industrial park model, into their countries. It was in this context that China began setting up overseas economic and trade cooperation zones in 2006. This not only allowed China to spread its successful model to other countries to help them develop, it also guided Chinese enterprises in going global. Under the guidance of the state, Chinese enterprises have built, on their own or as participants, various overseas economic and trade cooperation zones, such as processing zones and technical/industrial parks, which possess good infrastructure, complete industry chains and strong ripple effects. Today, overseas economic and trade cooperation zones have become an important springboard for Chinese enterprises to go global, and have had significant international influence and social benefits. Countries such as Zimbabwe have made requests to the Chinese government to develop cooperation zones there. Of course, this is an overseas investment method for which there is little international experience that can be referred to. Problems such as unreasonable zone plans, unclear industry positioning and insufficient support for private company needs have occurred, and require specific support from the state to alleviate.

7.1 Promote the Development of Cooperation Zones

7.1.1 Overview of Overseas Economic and Trade Cooperation Zones

To date, MOFCOM has given the greenlight to 19 overseas economic and trade cooperation zones, divided into two batches. The first batch of eight zones was approved at the end of November 2006. The remaining 11 zones were approved at

have been constructed. Infrastructure construction for the Long Giang Industrial Park began in May 2008, and already 20 ha of land has been leveled, with water/electricity supply and road systems built, for factory construction and production purposes. A temporary office building has also been constructed and is in use. The construction of the Yuemei (Nigeria) Textile Industrial Park began in 2008. The road hardening project and water/electricity supply and drainage systems have been completed and 12 standardized factory buildings totaling 100,000 m² in area and some dormitory buildings have been constructed. While the total number of enterprises that have entered and operate in these overseas economic and trade cooperation zones is smaller than expected, all of the enterprises are performing well. The Thai-Chinese Rayong Industrial Zone was identified by MOFCOM as the best industrial park in terms of the number of enterprises that have entered so far. Under the original plan for this project, a total of 50 Chinese enterprises were to operate in this zone, with 25 entering in Phase I (2009), 15 entering in Phase II (2010), and 10 in Phase III (2012). As of October 2009, however, only 17 Chinese enterprises had entered the zone, or 68 % of the Phase I plan. Notwithstanding, all the enterprises have been performing well thanks to the policy, service and environmental advantages of this zone. The China-Russia Ussuriysk Economic and Trade Cooperation Zone now houses seven enterprises, which have combined fixed and current assets worth 375 million yuan. Due to good production and business performance, these enterprises saw total sales revenues of \$58 million USD, and paid \$12 million in taxes in 2007, for example. Most enterprises in the Thai-Chinese Rayong Industrial Zone specialize in manufacturing automotive parts, machinery, metals, electronics and home appliances, and perform well at present. The Hailiang (Vietnam) Copper Manufacturing Co., Ltd. was the first company that entered the Long Giang Industrial Park. This company invested \$47.18 million USD in Phase I to build a 36,000-ton high-quality copper alloy production facility. Hailiang will increase its investment to \$120 million USD and move its 35,000-ton capacity facility from China to ultimately build a 71,000-ton copper alloy production facility at this site. The company has already begun production as planned.