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Basic Facts on Various Development Zones in the Border Provinces and Regions of China

First of all, my warm greetings to everyone present here. I feel honored to brief all the present situation of the development zones established in the terrestrial border areas of China. In the aspects of export processing zones, bonded areas, national economic-technical development zones and so on, basic facts and concepts have been presented by the people from the Ministry of Commerce, my focus will be to those frontier development zones of unique features set up in China for the advancement of frontier trade development, for the promotion of exchange between neighboring peoples in border areas and for a closer trade relations each other. To date there are 3 types of frontier development zones that might be distinguished as unique in the border areas and provinces of our country: boundary-crossing trade zone, frontier trade zone and frontier economic cooperation zone. The set-up of those zones helps the peoples of neighboring countries do transactions and exchange commodities to meet their daily needs mutually and give impetus to activities of sight-seeing, commercial interflow and tourism

among the peoples.

1. Boundary-crossing Trade Zone (Spot)

In ‘ Notice for Issuance of “Regulations of Border Inhabitants’ Boundary-crossing Trade” (ShuJian No.242-1996) promulgated jointly by China’s General Administration of Customs and the former Ministry of Foreign Trade and Economic Cooperation in 1996, details are set out for the management of border inhabitants’ boundary-crossing trade and the demarcation of the relevant zones and spots. It mainly stipulates that boundary-crossing trade zones be set up in border areas, that the setting-up can be approved by local provincial people’s governments, that boundary-crossing trade zones be supervised by the Customs, and that every border inhabitant enjoys a daily tax exemption quota of RMB 1000/day so that they can afford the necessities of life. In 1998 “Notice of Additional Regulations on Furthering the Development of Frontier Trade” (WaiJingMaoZhengFa No.844-1998) was jointly issued by China’s General Administration of Customs and the former Ministry of Foreign Trade and Economic Cooperation and adjustments were made in the tax exemption quota for daily necessities imported through border inhabitants’ boundary-crossing trade, the previous RMB 1000/day/person increase to RMB 3000/day/person (roughly USD 430).

According to Document No.242 the setting-up of a border inhabitants’ boundary-crossing trade zone can be approved by border

provincial people's government or that of an autonomous region. For a smaller-scale border inhabitants' boundary-crossing trade without enclosures concrete management rules are to be worked out in the light of Document No.242 by provincial or regional people's governments through consultations with their respective directly-affiliated Customs and put into the Customs' records. In case a setting-up has diplomatic or military implications in the two countries concerned, it shall be reported to the State Council for approval by a provincial or regional people's government. Viewed from the point of function orientations of a boundary-crossing trade zone, it serves largely for the activities of commodity showcasing, marketing, shopping and tourism. From the Customs statistics there are currently 90 plus boundary-crossing trade zones (spots) in the border provinces and regions of our country, but only a few are two-way opened. Encouragingly the boundary-crossing trade zones opened on the side of China are flourishing, attracting large groups of people and tourists from the neighboring country, even from a third one. Several such zones not only become indispensable to the life of border inhabitants of a neighboring country but also tourist and leisure resorts with sight-seeing values. For example, the boundary-crossing trade zone in Manzhouli, Inner Mongolia Autonomous Region, is a class-4A national tourist resort.

Border inhabitants' boundary-crossing trade is not taken into

customs' statistics.

2. Frontier Economic Cooperation Zone

Based on the experiences gained along the coast China extended the opening-up to the cities in the terrestrial border areas in 1992, forming the opening-up arrangement along the border. Since then 14 frontier economic cooperation zones are established one after another, they are: Heihe and Suifenhe in Heilongjiang; Hunchun in Jilin; Manzhouli and Erlianhaote in Inner Mongolia Autonomous Region; Dandong in Liaoning; Yining, Bole and Tacheng in Xinjiang Uighur Autonomous Region; Hekou, Ruili and Wanding in Yunnan; Pingxiang and Dongxing in Guangxi Zhuang Autonomous Region. Clearly Xinjiang Uygur Autonomous Region is one of the regions favored with the most frontier economic cooperation zones totaling 3.

Certain preferential policies are granted by the Government for these zones in order to stimulate the lagging-behind economy there, to improve the urbanization and the living conditions of the people, and to provide sufficient employment opportunities. Underneath more introductions are given to the two frontier economic cooperation zones in Guangxi.

The two frontier economic cooperation zones, Pingxiang and Dongxing in Guangxi Zhuang Autonomous Region was initiated and approved by State Council Special Zones Office in 1992 in accordance with "Notice of State Council on Further Opening up the Five Cities and

Towns Including Nanning, Kunming and Pingxiang” (GuoHan No. 62-1992). At the beginning the Government endorsed certain package of encouraging policies to the two zones in terms of finance, credits and tax revenue, etc. They contain: (1) Machinery, equipment and other materials for the infrastructure within frontier economic cooperation zones and a reasonable amount of office appliance are free of import duty and value-added tax; (2) During “The Eighth Five-year Plan” newly increased fiscal revenue can be withheld by frontier economic cooperation zones for infrastructure constructions. The income tax of inland associated enterprises is decreased and levied at 24% in the compass of a frontier economic cooperation zone, and another 9% is surcharged at the location of an inland associated investor if he transfers profits thereto; (3) No investment direction adjustment tax is levied during “The Eighth Five-year Plan”; (4) Self-sales of goods bartered from a neighboring country by inland associated enterprises and foreign invested enterprises are permitted within frontier economic cooperation zones, and the goods are levied duty and unified industrial and commercial tax when imported. If their imports are limited by the Government, import approving formalities are to be managed as per the regulating rules.

3. Frontier Trade Zone

Jiegao Frontier Trade Zone locates in Ruili City, Dehong Prefecture, Yunnan Province, adjoining Mujie, an important commercial city in the

northern part of Burma, on three sides to the east, south and north. It was approved by the State Council and established in 2000 and is the only frontier trade zone in the country that boasts a specific management mode and enjoys preferential “within border and without pass policies”. The zone integrates trade, processing, storage and tourism and is Yunnan’s test and demonstration area towards South and Southeast Asia. The government policies there are: “Materials and goods entering the frontier trade zone from Burma are not liable to the control of the Customs; Materials and goods imported from the zone are governed by the state policies and rules relating to import commodities; Foreigners entering the zone from outside country has 72 hour exemption of visa.” Chinese Customs retreats from the original port and has the entry and exit formalities go through at the check-posts on the periphery of the zone. The frontier trade zone is operated and controlled in an enclosing way.

4. Sino-Kazak International Frontier Cooperation Center

In 2004 the people’s government of Xinjiang Uygur Autonomous Region submitted to the State Council the “Request for the Establishment of Korgas Free Trade Zone in China-Kazakhstan Border Areas” (XinZhengFa No. 47-2004), which drew the attention of leaders of both countries. Supported and promoted by the Ministry of Commerce, “Framework Agreement on the Establishment of Sino-Kazak Korgas International Frontier Cooperation Center” was signed between China

and Kazakhstan on September 24, 2004. On July 4, 2005 President Hu Jin-tao visited Kazakhstan, resulting in “Agreement on Activity Management of Korgas International Frontier Cooperation Center between Governments of China and Kazakhstan” jointly signed by the representatives from the Ministry of Commerce of China and the Ministry of Industry and Trade of Kazakhstan. Sino-Kazak Korgas International Frontier Cooperation Center has become the only development zone cross the border of our country ever since and the construction of the same began in 2006.

Policies favorably assigned to Korgas International Frontier Cooperation Center mainly include: (1) Self-consumed goods and those for the construction of infrastructure of the Center are exempted from import duties and taxes, and goods entering the zone from the side of China are deemed as exported, against which a drawback can be made; (2) An exemption quota of RMB 8000 is given to a traveler for the goods carried along with him when entering the Center; (3) The Center entertains tax revenue and exchange policies after those implemented in the Zhuhai division of Zhuhai-Aomen Trans-border Industrial Park.

Korgas International Frontier Cooperation Center is divided into Parts A & B at present. Part A is contiguous to Kazakhstan, forming a structure like that of Zhuhai-Aomen Trans-border Industrial Park. Part B is next to A, enjoying policies for an export processing zone. In short, it

might be considered that close to Korgas border, a bonded area and an export processing zone have been built in Xinjiang Uygur Autonomous Region, aiming at extending and enlarging the economic trade between China and Kazakhstan and having the zone used as a window and a test spot for regional trade liberalization in future.

So much is for the introduction to our frontier development zones. Efforts are made to explain certain conceptions, intending to represent to you all our practices and experiences which you can draw on and have them combined with your individual situation, so as to increase the commercial interflow among Central Asian countries, strengthen the economic and trade cooperation in border areas and enhance the friendship and understanding between neighboring peoples. I sincerely hope that you have time to go to other border areas in our country for investigation and acquaint yourselves with the development of frontier trade of China.

I'm willing to exchange views with anybody who has any questions in mind. Thank you for your attention.