

НАСТОЯЩИЙ ДОКУМЕНТ БЫЛ ПЕРЕВЕДЕН С АНГЛИЙСКОГО ЯЗЫКА С ЦЕЛЬЮ ОХВАТА БОЛЕЕ ШИРОКОЙ АУДИТОРИИ ЧИТАТЕЛЕЙ. ТЕМ НЕ МЕНЕЕ, ОФИЦИАЛЬНЫМ ЯЗЫКОМ АЗИАТСКОГО БАНКА РАЗВИТИЯ ЯВЛЯЕТСЯ ТОЛЬКО АНГЛИЙСКИЙ ЯЗЫК, И ОРИГИНАЛ НАСТОЯЩЕГО ДОКУМЕНТА НА АНГЛИЙСКОМ ЯЗЫКЕ ЯВЛЯЕТСЯ ЕДИНСТВЕННО ПОДЛИННЫМ (ТО ЕСТЬ ОФИЦИАЛЬНЫМ И ЮРИДИЧЕСКИ ПРАВОМОЧНЫМ) ТЕКСТОМ. ПРИ ССЫЛКАХ И ЦИТИРОВАНИИ ДОЛЖНО УКАЗЫВАТЬСЯ НАЗВАНИЕ ТОЛЬКО АНГЛИЙСКОГО ОРИГИНАЛА НАСТОЯЩЕГО ДОКУМЕНТА. АЗИАТСКИЙ БАНК РАЗВИТИЯ НЕ ГАРАНТИРУЕТ ТОЧНОСТИ ПЕРЕВОДА И НЕ НЕСЕТ ОТВЕТСТВЕННОСТИ ЗА КАКОЕ-ЛИБО ОТКЛОНЕНИЕ ОТ ОРИГИНАЛА.

Report on Urumqi Export Processing Zone

Status Quo of Urumqi Export Processing Zone

Urumqi Export Processing Zone was established on Mar. 10, 2003 with the approval of the State Council. Located in Phase-II land section of State-level Urumqi Economic and Technical Development Area, it occupies a planned area of 3 sq. km., in which 0.7 sq. km., including 0.4 sq. km. fenced plot, has been engaged in Phase-I. The whole section is exploited in a rolling mode. The Phase-I 0.4 sq. km. fenced plot was jointly accepted by 9 ministries and commissions of the State and formally enclosed for operation on Jul. 28, 2005. Up to now there is 1 logistics enterprise and 4 export processing ones of which 2 are already commissioned. In 2006 foreign trade value of the processing zone was USD 33.52 million, in which 3.52 million was realized by export processing enterprises while 30 million by logistics, ranking 34 among the 59 export processing zones set up in our country by then. (By the end of July 2007, foreign trade value of the processing zone was USD 34.11 million, in which 4 million was realized by export processing enterprises

while 30.11 million by logistics.)

Existing Problems and Elements Hindering Development

Firstly, as a measure for regulating the management of processing trade, the functional design of export processing zone aims at providing facilities for the convenience of transnational corporations to unfold their business that invest in processing enterprises and have the feature of “lumps in and out, both ends outside”, to meet their needs of “zero storage processing”. Within the zone, export processing enterprises and the storage and transportation ones giving service to the former only are allowed. By the end of 2006, seven export processing zones had been approved by the State Council for functional experiments of “expanding bonded logistics, research, design, checking, maintaining” and so on, with the function upgraded from single “processing and manufacturing” to “relying mainly on bonded processing while making logistics subsidiary”. Viewed from the function orientation of export processing zone and the processing trade stock of Xinjiang, the rapid increase of Xinjiang’s foreign trade benefits quite a lot from frontier penny trade and tourist shopping. In the aspect of foreign trade, the country’s processing trade proportions half to the total while the Xinjiang’s accounts for 5-6% of that of the autonomous region, even less of the total of the country. Urumqi Export Processing Zone is an epitome of the region’s processing

trade, and the establishment of export processing zones reflects the economic foundation of the same. Processing trade is a special type of manufacturing industry distinct from the traditional and the ordinary trade ones, and an export-processing zone is the carrier of processing trade development concentrated and regulated. Characterized in “both ends outside, lumps in and out, and in and out speedily”, modern processing trade requires a good industrial environment and an easy logistics passage. The target of an export-processing zone is not all the open economies mainly for export but the modern processing trade featuring “both ends outside, lumps in and out, and zero storage processing.” In terms of the enterprises currently settled in Urumqi Export Processing Zone, except for Haomeijia Furnitures, all other production enterprises are of self-managed export nature making good use of Xinjiang’s rich natural resources to have the products high-value-added. Though this brings along the export of raw materials, accelerates the structural adjustment of farm production, increases employment opportunities and promotes the service sector, it is much difficult to attract investments from overseas because of the drawbacks of small stock of Xinjiang’s processing trade industry, the inconspicuous accretion, the poor industrial environment, etc.

Secondly, the prerequisite for working out the relevant policies of export processing zones is the task that bonded materials and objects are

processed and exported through processing trade. Export products processed by an enterprise in the zone are exempted from all taxes short of income tax. Because no revenue is directly received from export processing zones, in a comparatively long period the financial conditions of Development Zone Management Board, who's in charge of the construction and management of export processing zones, cannot be improved. Since there's a big shortfall in the funding for development, living conditions and service facilities in export processing zones do not match the requirements. Here are some examples. As a result of strong mobility of employment in the processing zone, people working for Haomeijia Furnitures are not stable so that orders received by them have to be carried out by Anjia Timbers positioned outside the zone. In the period of January to April this year the export value of Anjia Timbers reached USD 4 million while Haomeijia Furnitures had only that of USD 90,000. Central Asia Foods realized an export of USD 0.9 million last year and can complete USD 3 million this year. If only an additional factory building is provided, they can achieve USD 8 million. With the agreement of the Customs Yizhen Sausage Casing Factory is under trial-production before acquiring the EU certificate. Their products can be exported to Japan and other countries, export value of USD 3 million being hopeful. Because the sausage casing production consumes a sea of water, the low pressure of pipe water in Phase-II land section is

impossible to meet the routine needs of the enterprises there. For the improvement of such kind of infrastructures, a large amount of construction funds must be invested.

Thirdly, from ancient times Urumqi was an important place on Silk Road. Now it's a first-order pivotal city for the development of modern logistics. Since last year modern logistics industry is massing in our region. In connection to the logistics business in export processing zone, the existing policies permit arrangement of storage and transportation solely for the enterprises in the zone and any business of third-party bonded logistics is prohibited. According to the current policies of the country the State Council governs the establishment of a bonded logistics park so little possibility remains for an export processing zone to expand its bonded logistics function. The setting-up of supervised export storehouse and bonded storehouse is in powers of the Customs but the location of the storehouses should not be in an export processing zone or the Customs supervision facilities in the zone are not available to modern logistics business, as in the case of Jiali Datong, who strenuously tidied itself over for a year's trial running by way of rent storehouses without the zone and operating within. Consultations with the General Administration of Customs gave us hope to have the "two storehouses" business run in the zone but the problems of refund of duty and goods entry into stores cannot be solved with the Customs only.

Existing Advantages and Available Factors

1. Policy Advantages

Export processing zone is of newborn things with a background indicating the adaptation of our country to international industry division and expansion of opening to the outside world. It is an important way to structure an international manufacturing center and a specially supervised area unpaired in our country with preferential policies, express clearance facilities, complete infrastructures and standardized management.

2. Location advantages in Environment

Urumqi is in the center of the north and south regions of Xinjiang Uighur Autonomous Region and a hub of communications. Located in the area crowded of cities and industries on the northern slope of Tianshan Mountains and on the southern fringe of Zhunge'er Basin, it is the largest comprehensive industrial zone and the axis of economic core area in Xinjiang with wide radius, strong cohesion and extensive diffusion fields. The city is the center of politics, economy, science and technology, culture, education, communications, post and telecommunications, trade, finance, information and tourism in the whole autonomous region, a door opening up westward of our country and a window for economic and cultural exchanges with foreign countries. Especially when the world's second Asia-Europe Land Bridge is got through starting in the east from

the Eastern Port of Lianyungang of our country and ending in the West at Rotterdam of the Netherlands, Urumqi will become a key node on the golden belt of “LongHai-LanXin Railways” and a bridgehead on the modern Silk Road in the western part of China, boasting prominent location advantages and having continuous appeals to the outside world. Along with the advance of West Part Big Development of the country and the formation of an international regional market, Urumqi, as an “enclave”, will play an increasingly important role in the course of pushing-forward from east to west of our economic opening, in the shifting of world center towards round the Pacific coasts and in the establishment of the upcoming international new order. It will become an international city serving as Asia-Europe continental center in international circulation comprising Islamic Economic Ring, South Asia Economic Ring and Central Asia Economic Ring, and an important air and land junction for regional exchange and cooperation between east and west of our country, between Central Asia and Asian Pacific and between Europe and round the Pacific regions. Right in this “enclave” is set up the Urumqi Export Processing Zone. The “enclave and exclave” supervised by the Customs shall be new economic platforms for China to develop and extend westward, facing Central, West and South Asia.

3. Available Factors

(1) Enormous potential in the surrounding markets. Xinjiang is

contiguous to 8 countries, owning 17 first-order national ports and 11 second-order ones. In contrast to inland provinces and regions it has the shortest landlines for transportation to South Asia, West Asia and Central Asia Five countries. The “Jinghe-Yining-Huo'erguosi Railway”, now under construction, can embody another new Asia-Europe artery from China to Kazakhstan. In addition, China-Kyrgyz Republic-Uzbekistan Railway is also in incubation, which links up Kyrgyz Republic, Uzbekistan, Turkmenistan, Iran and turkey. When completed, Urumqi would be a communications junction and cargo distributing point for Mid-east, Europe and Asia.

(2) Urumqi Export Processing Zone is the only national one in Xinjiang. Xinjiang is the fulcrum for China to pry open the Central Asia market and an export processing zone is the base assisting export processing enterprises in seizing it. Having been in “the Eleventh Five-year Plan”, the flagship function of Urumqi Economic and Technical Development Area in the industrial progress of Xinjiang’s capital is more and more clear. Industrial chains of energy, foods and machinery manufacture have been forged, which give tremendous support to the development of export processing zones.

(3) Following the upgrade and transformation of processing trade,

enterprises, which feature “one end in and another out”, i.e. “market abroad given first place, procurement depending on domestic sources”, are encouraged by the state to enter the export processing zone so as to muscle up the internal economic growth capacity. This helps us overcome the bottleneck of attracting investments and is in conformity to the reality of Xinjiang’s processing trade.

Deliberation and Suggestions to the Development of Export Processing Zones

1. Objectives and Strategic Emphases of Development

General objectives of mid- and long-term development of the export processing zone are: Working hard to have the export processing zone turn out an assembly area of modern manufacturing industry in the whole Xinjiang and the Northwest Region, a products processing zone facing Central Asia market, a pilot area for the transformation and upgrade of processing trade, and a demonstration area of standardized management; giving full play to the driving role of the export processing zone in the advancement of regional economy, making it an engine of economic growth, an accelerator to structure optimization and a propeller to balanced development in the autonomous region and Urumqi city proper.

Strategic emphases of mid- and long-term development of the

export-processing zone are: Overall planning, proper arrangement; multiplying functions, perfect management; changing conceptions, coordinating development. Having the economic development of export processing zone, economic area, Urumqi and the autonomous region to compromise each other, coordinate each other and facilitate each other.

2. Suggestions

(1) The people's governments of Urumqi and the autonomous region will care for and support the development and construction of export processing zone. It cannot be treated merely as a gilded signboard to attract foreign investment for processing trade but must be weighed in terms of the sources for regional economic balance and sustainable development, to have the problem of development power settled properly. In the aspect of funds and policies the export processing zone shall be given vigorous support, having the construction of amenities, plant buildings and so on completed, to gain the favorable conditions for project introduction.

(2) The people's government of the autonomous region need organize a coordination group for Urumqi Export Processing Zone to strengthen the coordination among various departments and to issue instructions to the development of the zone for the purpose of joint efforts in management and construction. Disputes and

conflicts in construction and operation will be settled together, enabling concerted efforts for project introduction and fast development to come into being.

(3) The foreign trade and economy and the commercial authorities of the municipality and the autonomous region will intensify guidance and support in the operation of the export processing zone. With the policy orientation government authorities will lend a hand in inviting outside investments to the zone and help it get relevant policy support from the governments at both the national and the autonomous region's levels.

(4) A management board controls the construction of an export-processing zone, is responsible for the development and administration. The functions of an export-processing zone are to be identified at the combining points of regional overall economic situation and the transformation and upgrade of processing trade. And the dominant industries are to be determined based on the state's macro-orientation, the local favorable conditions for processing trade and the government's overall planning for regional economy. In the light of the progress of pilot project to have the functions of an export processing zone extended, such as bonded logistics, and the demands in changing the mode for increasing foreign investments, "multi-factor development" is

explored and also the way to structure “international service center for processing, manufacture and operation”. Perseverance is given to the work that project introduction points are to be found “on the extension of the main and supplementary functions” of the export processing zone. In the industry movement of the eastern part, guidance shall be needed to the state-owned and private enterprises to have the self-owned brand involved in processing trade. The export processing zone can be used as a platform for industry transfer, considered in the context of Wuchang Integrated Regional Logistics System and given full play to in terms of its particular carrier function in enlarging export, stimulating internal demands and improving service zones.

In a word, Urumqi Export Processing Zone represents the continuous support of governments at various levels from very beginning. In September, 2002, the then State Councilor, Wu Yi, inspected Xinjiang. When she heard that we are applying for the establishment of an export-processing zone, she pointed out clearly: “Xinjiang has favorable geological advantages. Commodities’ going through the gate here can not only benefit the development of export-oriented economy but also is conducive to frontier trade growth and westward export.” It is easy to see that the establishment of Urumqi Export Processing Zone has its background with a special approval. In the circumstances hard to have the

functions of an export processing zone extended, to have the “two storehouses” business run in the zone and then apply for entry into stores and refund of duty helps inviting outside investments and tally with the actual situation, which might turn our geological advantages into market advantages and expedite the course of Urumqi into an international commercial city. Therefore, it is requested that point-stretching policies could be considered from the state while the foreign trade and economy and the commercial authorities and the governments of the municipality and the autonomous region settle the needed funds.

Urumqi Export Processing Zone

Management Office

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