
Improve Industrial Competitiveness Based on SEZ Advantages: With Shenzhen SEZ as a Case Study

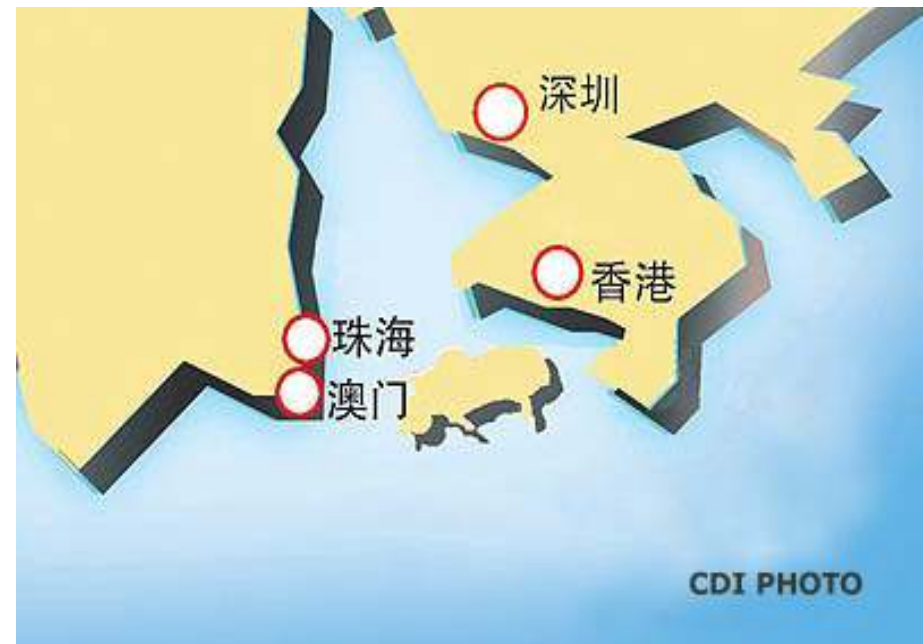
**Dr. Guo Wanda, Vice President,
China Development Institute (CDI)**

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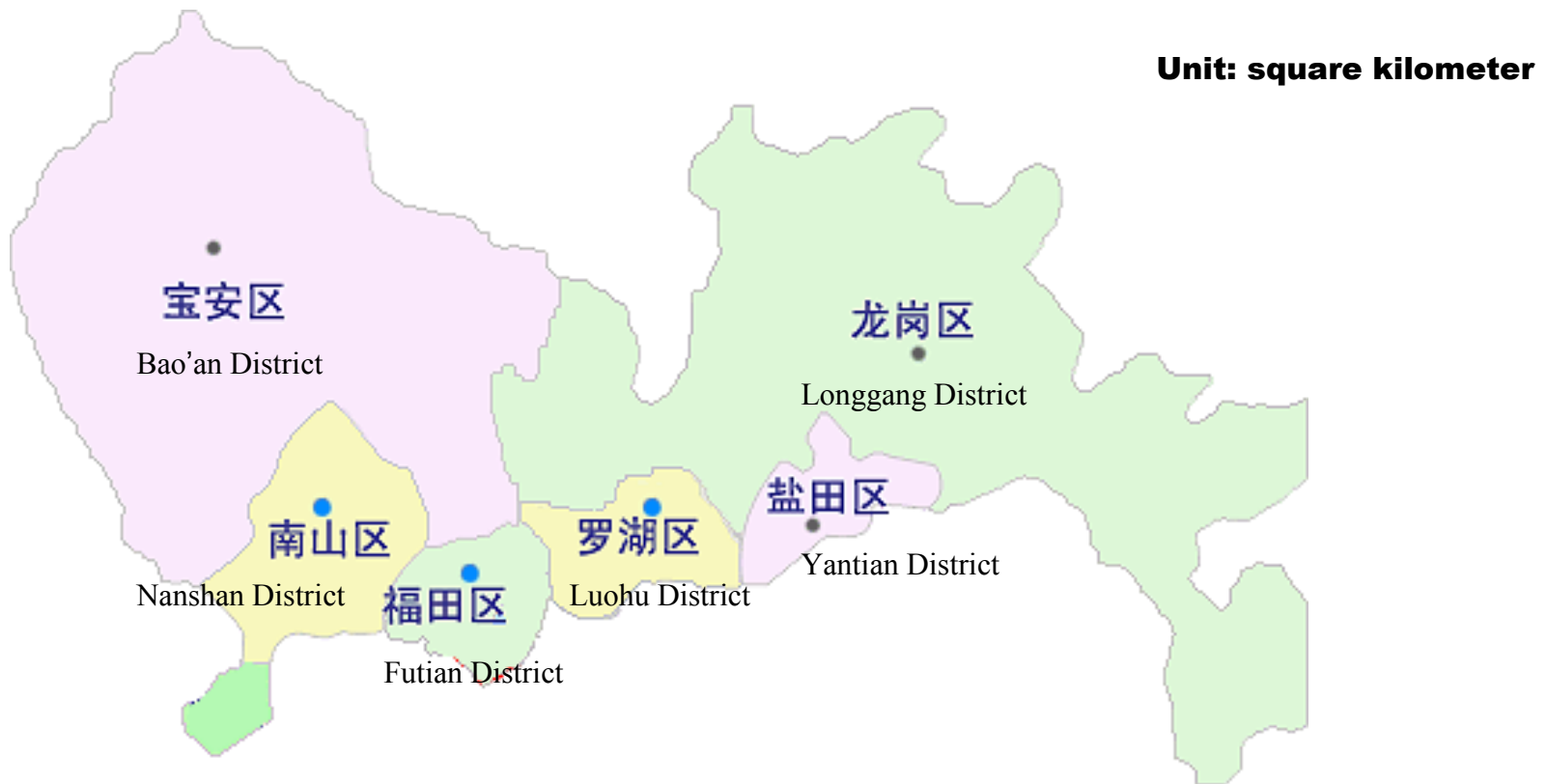
Pakistan Development Forum

I will only talk about one case, i.e., how to upgrade the industrial competitiveness by SEZ (special economic zone) advantages.

- Shenzhen is the largest SEZ in China.
- Shenzhen neighbors Hong Kong, 2000 square kilometers, and two times of Hong Kong.
- In 1979, Shenzhen was a small fishing village. Now, it has become a metropolis with 12 million population.



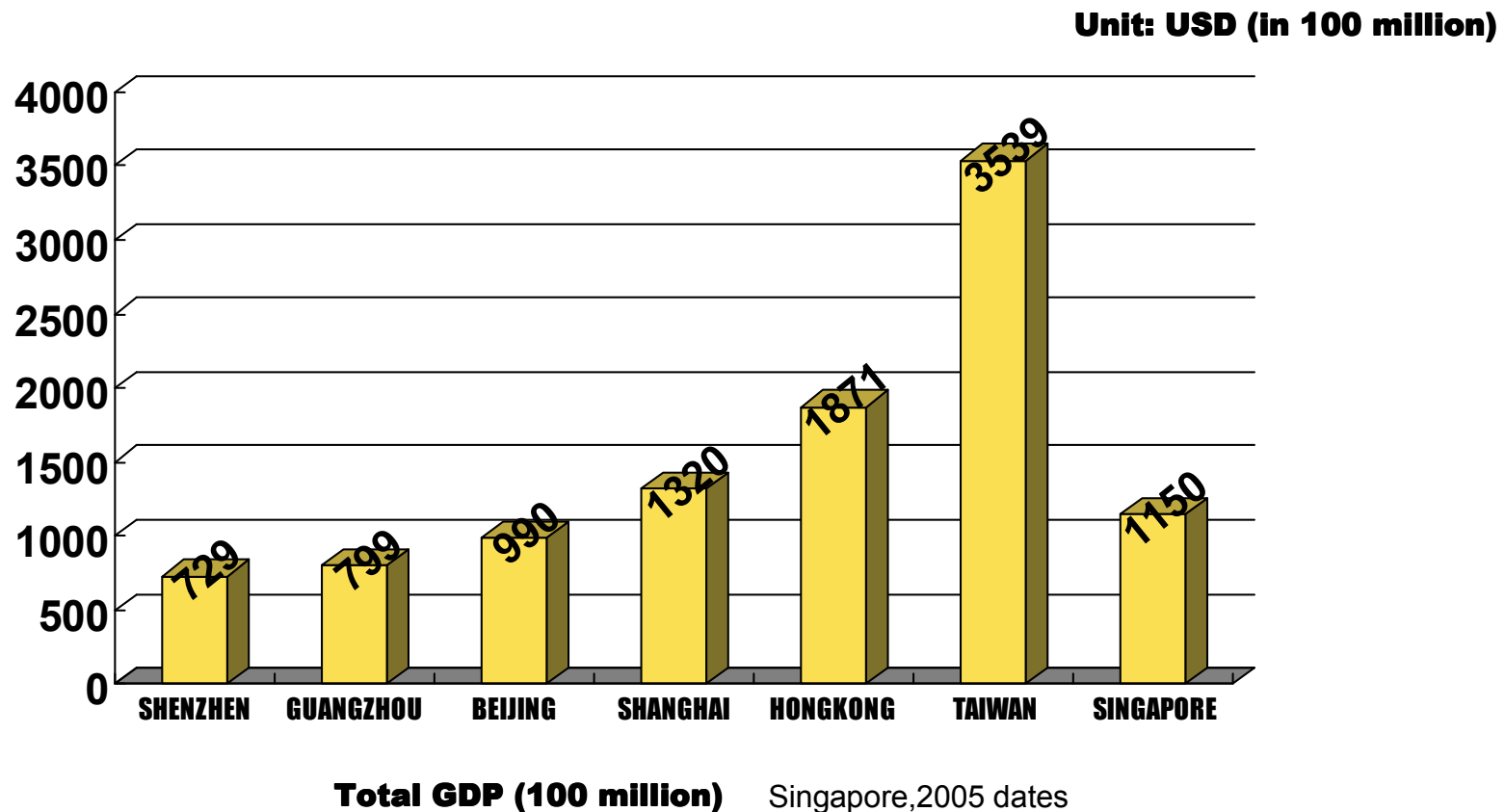
Administrative map of Shenzhen: the total area is almost 2000 square kilometers, where the area within the checkpoint is about 400 square kilometers, and about 1600 square kilometers outside of the checkpoint.



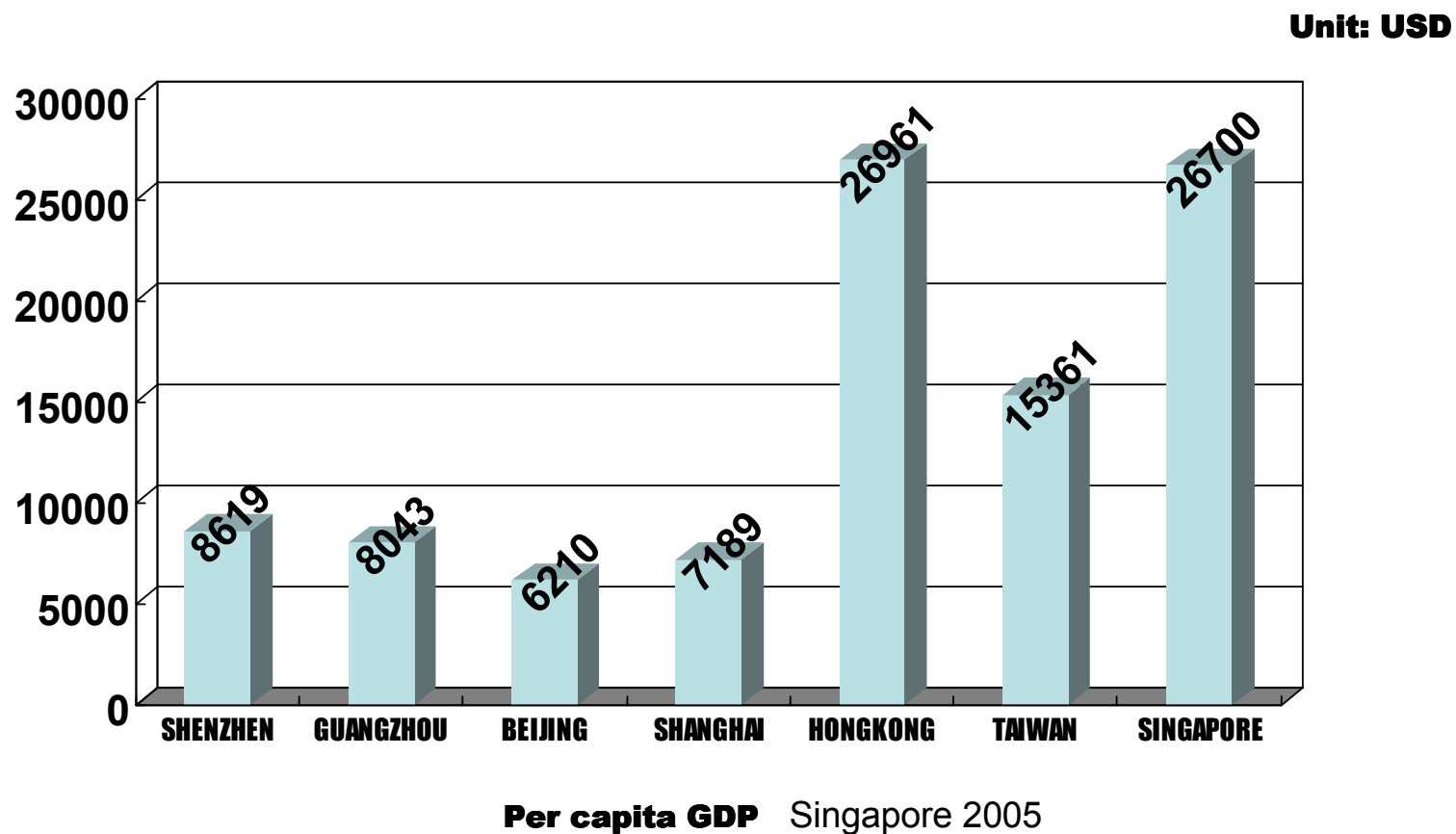
□ □ How did the miracle in Shenzhen happen in the past 28 years?

——How has Shenzhen turned into one of the richest cities in China from a small fishing village?

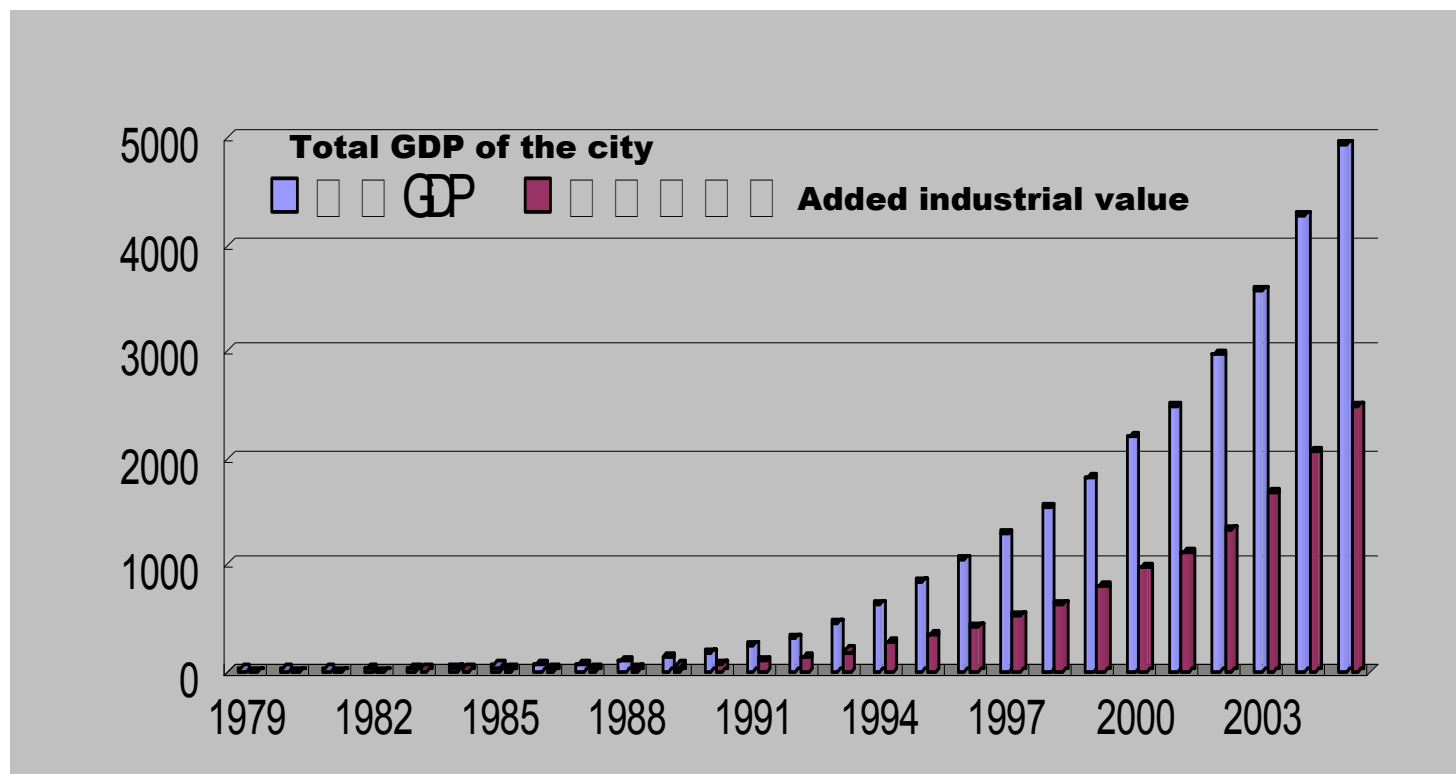
In 2006, Shenzhen ranked No.4 in Chinese cities in terms of GDP. It is very close to Guangzhou, the third one (maybe will exceed Guangzhou this year). And its economic volume is close to 40% of that in Hong Kong.



In 2006, the per capita GDP of Shenzhen ranked No. 1 in Chinese cities, namely, more than USD8600. It can be regarded as one of the richest Chinese cities.



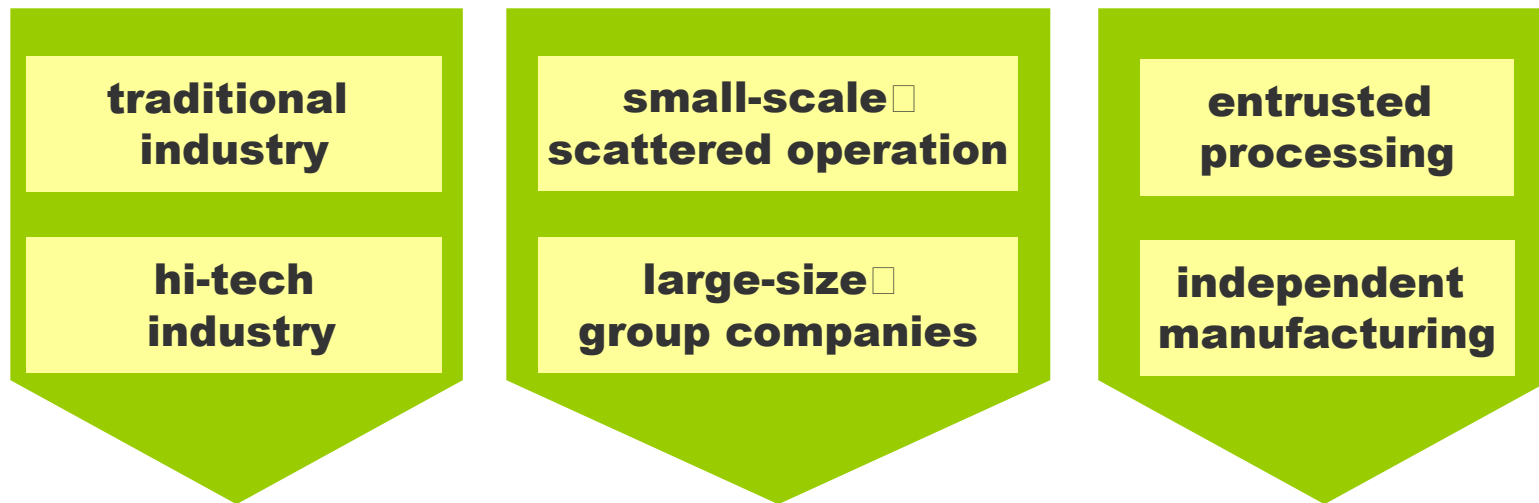
In the past 28 years since 1979, the industrial size in Shenzhen has been growing rapidly, with increasing rate of contribution to the GDP of the city.



Total GDP and added industrial value of Shenzhen from 1979 to 2005

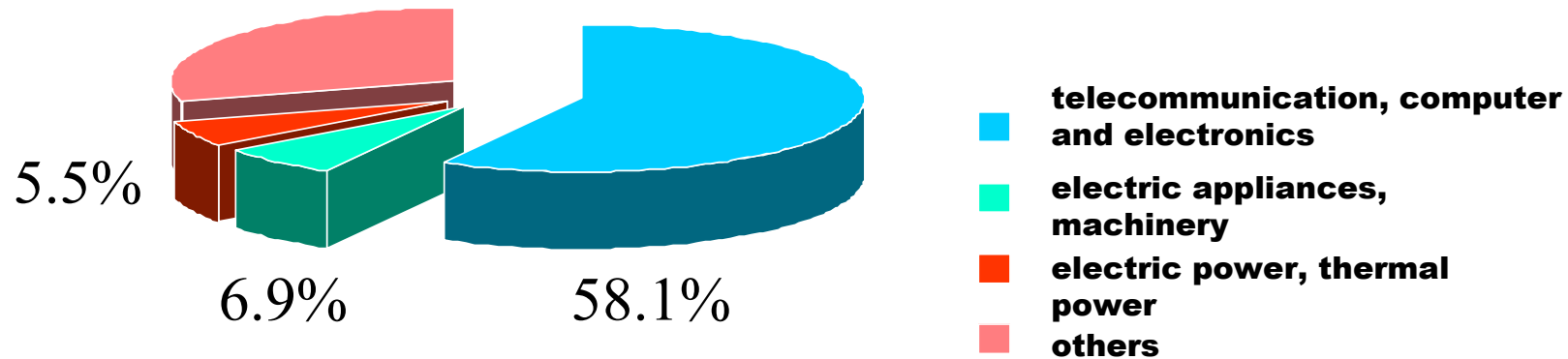
The industrial structure in Shenzhen is optimizing, featuring 3 types transformations: a. from traditional industry to hi-tech industry; b. from small-scale and scattered operation to large-size and group companies; and c, from entrusted processing to independent manufacturing.

■ The industrial structure in Shenzhen is optimizing, featuring 3 types transformations:



The industrial structure in Shenzhen features concentration, i.e., main sectors account for the largest share.

■ In 2005, telecommunication, computer and electronics account for almost 60% in the industry.



2005 industrial output in Shenzhen

Shenzhen industry is establishing more and more brands, with increasing number of famous brands.

- By the end of 2005, there are 5 Shenzhen brands with sales more than RMB10 billion respectively.
- Several sectors with their own brands are formed:
 - **Telecom equipment**
 - **computer and peripherals**
 - **digital AV**
 - **Flat panel display**
 - **Software**
 - **Biomedicine**
 - **Apparel**

How did Shenzhen miracle happen? The reason mainly lies in the advantage of SEZ, namely, the leading position in the industrial competitiveness.

——For example□

- Huawei and Zhongxing, which are two manufacturers of electronic and telecom equipment, have become major suppliers in this sector in China as well as the world.
- ShenZhen Marine Containers (Group) Ltd. ranks No. 1 in terms of container output, accounting for more than 30% in the world market.
- International companies of office automation in Shenzhen, including Ricoh, Toshiba, Epson, Copier and Xerox, generate a total output value that accounts for about 21% in the world.

□ □ How does Shenzhen SEZ provide advantages to the industrial competitiveness in the city?

——What policy guarantees has Shenzhen SEZ provided for industrial development?

First, The Central Government has provided special policy environment for Shenzhen SEZ, thus creating “soft environment” to upgrade the industrial competitiveness in the city.

- Legislation right□
- Right to test reform policies, and a testing place for comprehensive reform;
- Before this year, the enterprises in Shenzhen SEZ enjoyed preferential revenue tax rate, i.e., 15%.□
- “Combination of two taxes”. Although preferential revenue tax rate of 15% is cancelled for most enterprises, it is still applicable to the hi-tech and extremely small enterprises in the city.

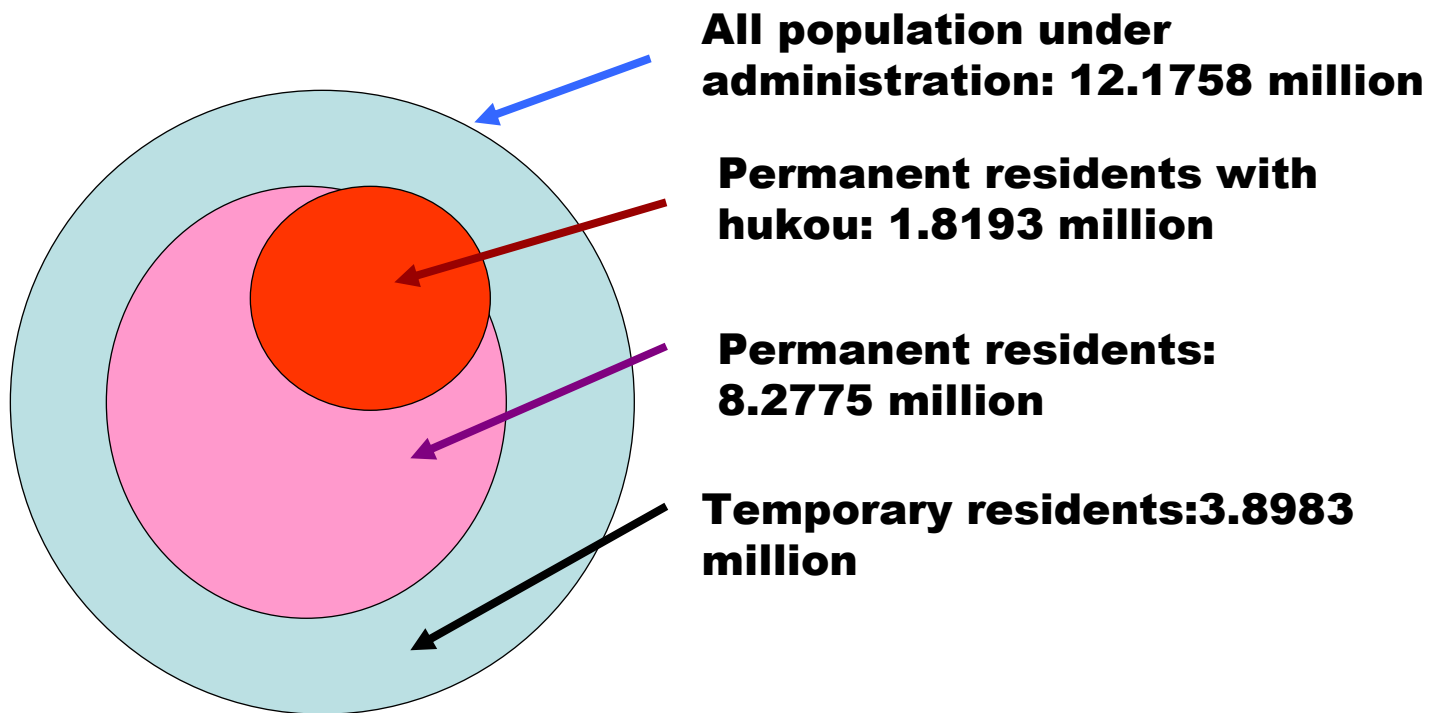


Second, Shenzhen is a migration city, where most of the residents are migrants. So the innovative spirit provides motivation for the industrial development

- Migrants account for 83.3% of the total population. Mandarin Chinese is the most spoken language, but local dialects are not discriminated□
- Shenzhen is a young, vigorous and dynamic city where the young ages are the biggest part in the population.



Demographical structure in Shenzhen: a large percentage of temporary residents.



Third, with regard to the financial environment, Shenzhen is the most active city in the sector of risky investment, which provides financial support to upgrade the industrial competitiveness.

- Shenzhen is the most active city in the sector of risky investment in China. By the end of 2005, the number of risky investment organizations in Shenzhen accounts for 1/3 of China. □
- In Shenzhen, there are Shenzhen Stock Exchange, Trading Center of Hi-Tech Equity Rights, Shenzhen SME Guarantee Center, etc.



Eleventh Five Year Plan for the financial sector in Shenzhen Shows that Financial Sector will continuously play important role in local economic development

- Build Shenzhen into Four Centers in terms of financial development:
 - Industrial financial center
 - Financial innovation center
 - Financial information center
 - Supportive service center for financial sector

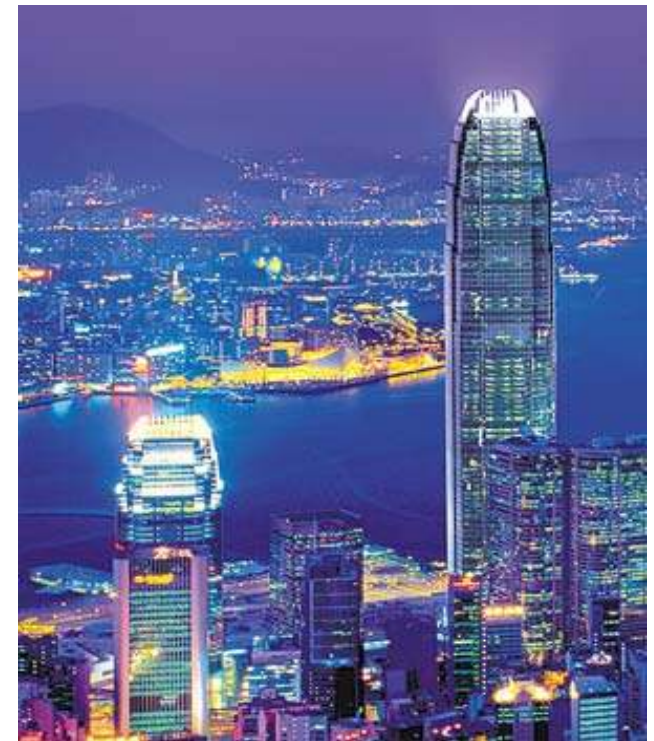
Fourth, the infrastructure is well-established in Shenzhen. For example, its harbor ranks No.4 in the global container transportation, and its airport No.4 in terms of passenger flow. All of these conditions have built a favorable logistic environment for the upgrading of the industrial competitiveness in the city.



Fifth, Shenzhen neighbors Hong Kong, so the upgrading of the industrial competitiveness benefits from Hong Kong as the international financial center, information center and efficient intermediate service center.

——Hong Kong:

- Among top lists in the world metropolise□
- No. 1 in Asia as a financial center



Sixth, Shenzhen government is efficient, and the government is continuously reforming the administration.

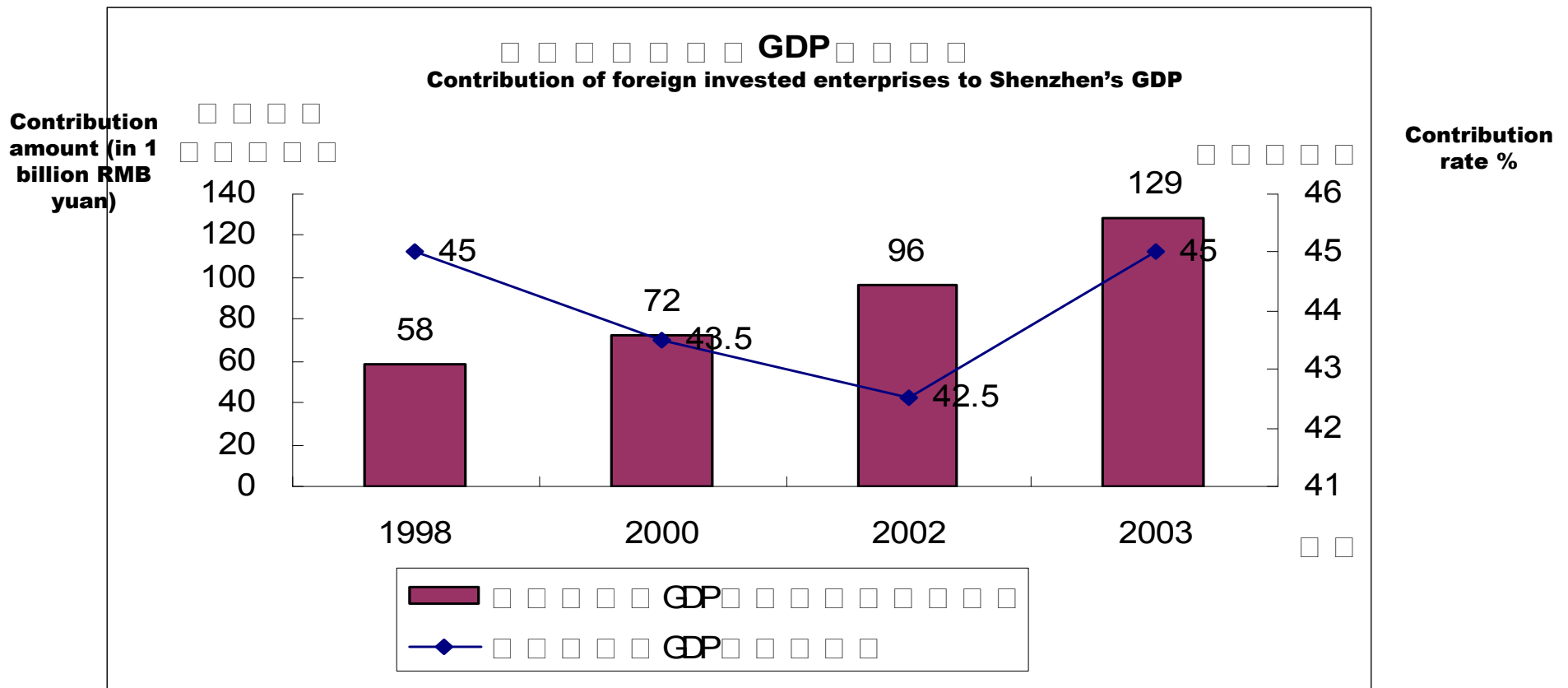
——For example□

- The approval system is under reform, which will reduce government rights□
- The government provides “through bus” , or direct one-stop services for big enterprises□
- The administrative transparency is increased in order to strengthen monitoring on the government.

□□ What can Pakistan learn from Shenzhen's experiences in the upgrading of the industrial competitiveness ?

——Which ways has Shenzhen adopted to upgrade its industrial competitiveness ?

First, attraction of foreign investments. Foreign investments have played a major role for upgrading of the industrial competitiveness of Shenzhen. In terms of GDP structure, foreign-invested enterprises always account for more than 40% of GDP in Shenzhen.

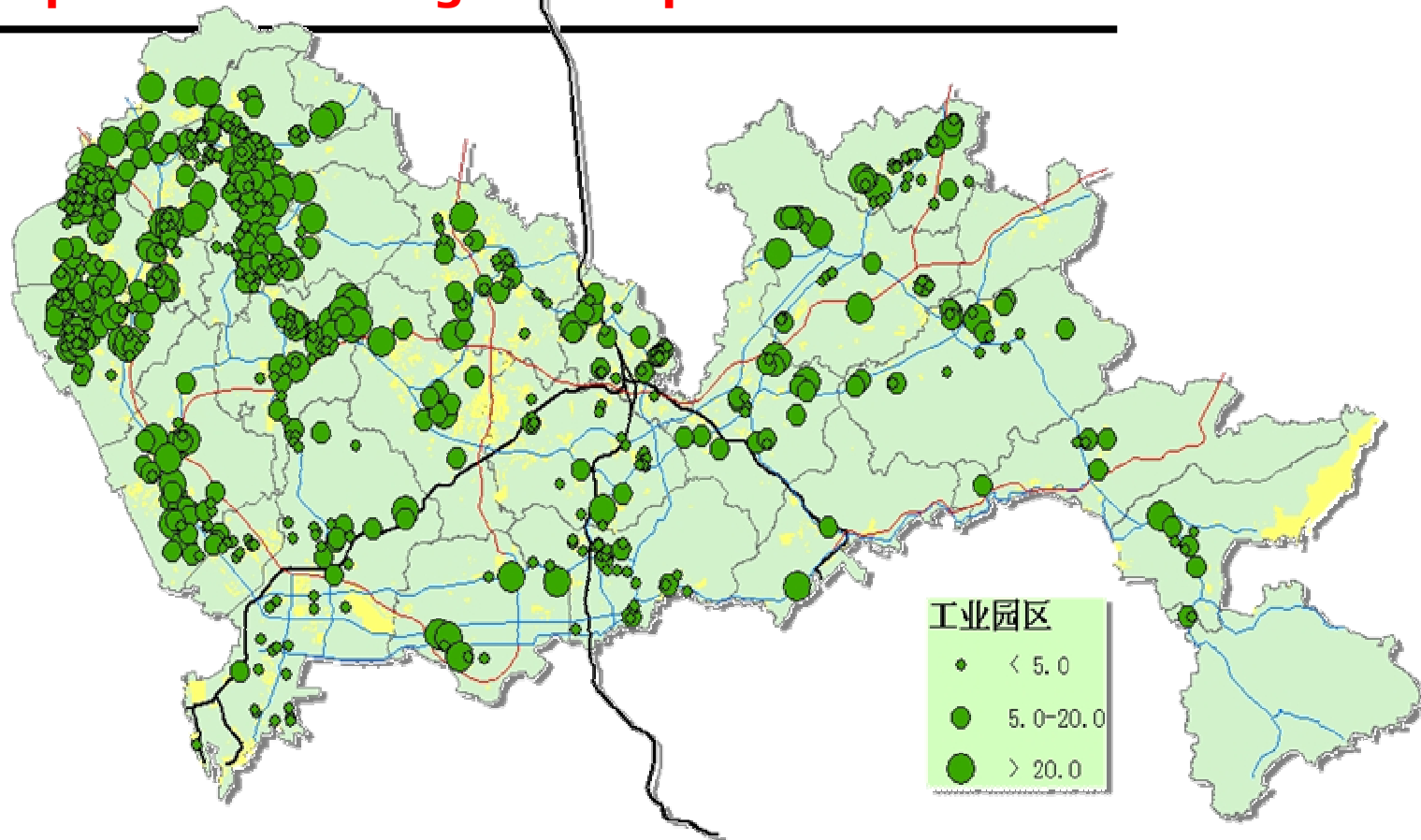


Second, in order to promote its international industrial competitiveness, besides attraction of foreign investments, the government has formulated the strategy to develop the headquarter economy, namely, inviting multinational companies to move their headquarters into Shenzhen.

——Points in the strategy:

- Formulation of systems to certify the headquarters of manufacturing companies;
- Stipulation of preferential measures for the headquarters of manufacturing companies;
- Release of application procedures and management methods for the headquarters of manufacturing companies;
- Strengthen governmental services for headquarters.

Third, the industrial parks play a major role in the industrial development in Shenzhen. Regarding the geographic distribution, more than 90% of the industrial parks are located outside of the checkpoint, and 70% in villages and small towns. Shenzhen plans to integrate and adjust these parks and pays attention to the development of 52 large-sized parks.



Fourth, to upgrade the industrial competitiveness, Shenzhen encourages concentration of industries in order to form different industrial clusters, such as the clusters of clothes industry, bicycle industry, furniture industry, and semi-conductor industry. The following is the map of these clusters.



Fifth, to upgrade the industrial competitiveness, Shenzhen has proposed the policies and objectives to develop recycled economy, with the aim to improve environment and save energy in the city.

- March 16, 2006, Shenzhen passed the Recycled Economy Promotion Rules of Shenzhen SEZ, and carried out implementation of relevant policies □
- In the Rules, Shenzhen established more than 10 major systems in terms of performance assessment, middle to long term planning, government procurement and policy support.

Sixth, to upgrade the industrial competitiveness, at the beginning of 2006, Shenzhen released the Decision to Implement Independent Innovation New Strategy and Build a National Innovative City, where the objective of independent innovation was proposed.

- According to the Decision, by 2010, R & D investment accounts for more than 3.5% of the total GDP of the city;
- The output value of the hi-tech products grows at an annual rate of 20% on average.



End

THANK YOU!