

Chapter 2

SEZs and China's Development Promotion: Policy Exchanges Under the Belt and Road Initiative

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ABSTRACT

SEZs in China have been considered a successful experience and an important tool not only to attract foreign investment in an ordered manner but also to stimulate economic growth, generate social benefits, and to experiment innovative policies. The country-specific approach, discarding a “one-size-fits-all” model, is one of the elements that enabled Chinese SEZs to thrive. Policy experimentation, a smaller level of risk aversion, if compared to developed countries, and a mixture of top-down and bottom-up decision processes between local and central governments reflect a dynamic environment attractive to developing nations. This attraction finds nourishment in the pragmatic international cooperation with Chinese characteristics. This chapter explores the role the Belt and Road Initiative can play in exporting the Chinese SEZ “model,” especially, in African countries. By scrutinising the adaptability of the Chinese “model” to different contexts, it tackles the potential accrued to SEZs’ implementation in BRI nations in terms of the advancement of new policymaking procedures.

INTRODUCTION

Special Economic Zones (SEZs) are used by more than 140 countries around the world, particularly by developing nations, and their number has grown rapidly in recent years: in 1975, there were 79 SEZs

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in the globe; in 1986, 176; in 1995, 500; in 2002, 3.000; and, in 2018, 5.383, with another 474 under development and 507 planned. The leading country in this regard is the People's Republic of China, which operates over 2.500 of SEZs, almost half of the total worldwide (UNCTAD, 2019).

Throughout the years, SEZs have delivered a mixed record of success (Farole, 2011). In China, though, they have proven fairly successful, something which explains their domestic proliferation. The first Chinese SEZs were established during the early 1980s in four coastal cities: Shenzhen, Zhuhai, Shantou, and Xiamen, all of them close to Hong Kong, Macao, and Taiwan. Afterwards, SEZs were expanded to cities along the East coast, which had a high capacity to attract foreign investments. During the 1990s and the 2000s, in order to better balance the development of the country, the geographical focus began to shift inland and to the West of the country (*Idem*).

Many terminologies are used to refer to special economic zones, which, in turn, come in many types, with the most common ones being variations of free zones. Notwithstanding, essentially, SEZs can be defined as a geographically delimited space which enjoys a series of location-specific advantages, such as relief from custom duties and tax, the existence of or intention to promote superior infrastructure, and reduced regulatory requirements (Narula; Zhan, 2019).

A noteworthy feature of the Chinese case is that, even in the 1980s, with the country boasting only a few years of experience dealing with SEZs, it already became “apparent that the Chinese zones do not belong to any of the categories within the family of free zones now existing in the world. Rather, the SEZ seems to stand on its own as a separate member” (Wong, 1987, p. 27). There is plenty of evidence (Bräutigam; Xiaoyang, 2011; Zeng, 2015) showing that, despite the singularity of the Chinese case, emerging nations look at examples from China for inspiration; however, they should have in mind China's SEZs were developed as a complementary part of a broader development strategy (Narula; Zhan, 2019).

In addition, if a country lacks a solid long-term approach and focuses primarily on immediate goals, maybe Chinese SEZs, which have constantly evolved according to the country's needs through experimentation and taking into consideration its own development path, would not be the ideal choice for a “model” – because there is not one. This is not to say China should no longer be held as a leading actor in this field; quite the opposite, it absolutely should. The point is that developing countries should abandon the idea of a “one-size-fits-all” model and truly embrace what made the Chinese experience so successful: building on their own development path to seek the best and most effective SEZ options for them.

Undoubtedly, rejecting a “one-size-fits-all” approach is extremely attractive, but it also is much more challenging. Generally, governments from developed nations, as well as many domestic and international institutions, particularly international development cooperation agencies, highly value the governance agenda and a thorough accountability process. While governance and accountability are definitely relevant, the way they are applied usually limit the adoption of an experimental approach and bring initiatives and policies closer to the “one-size-fits-all” model. Indeed, countries' development strategies may share common features, but how goals are achieved differs – as Dani Rodrik (2007) put it, the world is too complex for “one-size-fits-all” models.

Based on the abovementioned understanding, this chapter aims to analyse China's unique take on development, the role SEZs play in development promotion and the discussions involving the “one-size-fits-all” model, as well as how China can share its experience, particularly under the strategic framework of the Belt and Road Initiative (BRI). In order to achieve this objective, it will start by examining certain aspects of Deng Xiaoping's reforms and opening-up policies, particularly the blossoming of a “socialism with Chinese characteristics”. Subsequently, it will inspect the main characteristics of the country's international development cooperation and its largest international project, the BRI, in light

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