

**China's Special Economic Zones:
Are they still 'special' after China's
accession to the WTO?**

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ABSTRACT

The policy of ‘reform and opening’ has brought drastic changes in the Chinese economy and society. One of the most important changes has been the establishment of Special Economic Zones (SEZs), which were designed to experiment with different market economy reforms and to act as the engine of growth in the country. These zones were granted several privileges, which in turn gave the SEZs full control of their own economy and were able to build up their local industry and develop strong economic capabilities. Nevertheless, many of those privileges were inconsistent with WTO Agreements, and since China’s accession into that organization the SEZs have been dismantling those privileges. Each step in China’s compliance with international standards precipitated changes and ripples throughout the SEZs’ legal structure. Nevertheless, the aim was to enter in order to induce and facilitate more investment within a sound environment. The WTO accession and implementation added momentum to a further opening up of China’s SEZs.

Even though the biggest challenge for the SEZs was to adapt to universal principles, there is evidence of the use of particularistic contracting in the revised, amended or passed laws after WTO accession to facilitate compliance with WTO principles. Using this approach was prudent not only for the SEZs, but also allowed China’s legislative and administrative sectors to retain the flexibility to decide China’s own ways and pace for the implementation of the WTO Agreements. Overall trade and investment reform after China’s accession to the WTO has been positive for the SEZs, even though their original privileges have been eroded. In terms of policy, the SEZs have been a useful tool as part of an overall economic growth strategy to enhance industry competitiveness and attract FDI. Important aspects of the business environment of the SEZs have also been improved. Their rapid economic growth, their economic and political stability and commitment to market oriented reform have proven that the SEZs took concrete steps to achieve the best possible outcome.

ABBREVIATIONS

ACFTU	All China Federation of Trade Unions
AML	Anti-Monopoly Law
CED	Coastal Economic Development Strategy
CEDAs	Coastal Economic Development Areas
CJV	Contractual Joint Ventures
COCs	Coastal Open Cities
CPC	Communist Party of China
DSB	Dispute Settlement Body
EITL	Enterprise Income Tax Law
EJV	Equity Joint Ventures
EPB	Environmental Protection Boards
EPZs	Economic Processing Zones
ETDZs	Economic and Technological Development Zones
FDI	Foreign Direct Investment
FIE	Foreign Investment Enterprise
FTL	Foreign Trade Law
FYP	Five Year Plan
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GEPD	Guangdong Environmental Protection Department
IIT	Individual Income Tax
LCL	Labor Contract Law
LDC	Least Developed Countries
LEAD	Large Enterprise Administration Department
MFN	Most Favoured Nation
MNC	Multi-National Corporation
NCPB	National Corruption Prevention Bureau
NDRC	National Development and Reform Commission
NGOs	Non-governmental Organizations
NIEs	Newly Industrialised Economies
NPC	National People's Congress
OECD	Organization for Economic Cooperation and Development
PEL	Partnership Enterprise Law
PPMs	Processes and Production Methods
R&D	Research and Development
RMB	Renminbi
SCM	Subsidies and Countervailing Measures
SEPA	State Environmental Protection Administration
SEZ	Special Economic Zone
SOEs	State Owned Enterprises
SPM	Sanitary and Phytosanitary Measures
TBT	Technical Barriers to Trade
TPR	Trade Policy Review
TPSSM	Transitional Product Specific Safeguard Mechanism
TRIMS	Trade Related Investment Measures
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UNEP	United Nations Environment Programme

VAT	Value Added Tax
WFIE	Wholly Foreign Investment Enterprise
WFOE	Wholly Foreign-Owned Enterprises
WTO	World Trade Organization