

A report submitted to ILO

Export Processing Zones in China: A Survey

Xiaolan Fu

University of Oxford

and

Yuning Gao

University of Cambridge

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Table of Contents

- I Introduction**
- II Development of China’s EPZs: Features and Trends**
 - a. Foundation of China’s EPZs
 - b. Labor Regulation and Others
 - c. Employment of FFE and EPZ
- III Economic Contribution of EPZs in China**
 - a. Main Body of China’s Economy
 - b. Engine of Regional Economy
 - c. Technology Upgrading
 - d. Wage Level
- IV Social Contribution of EPZs in China**
 - a. Employment Relation
 - b. Human Resource
 - c. Training and Skills Upgrading
 - d. Worker Organization
 - e. Corporation Social Responsibility and Harmony Society
- V Conclusions and Areas for Future Research**

Bibliography

Annex I Distribution of China’s Development Zones

Annex II China’s Industrial Catalog

Annex III Literature Review Methodology

Export Processing Zones in China

I Introduction

Export Processing Zones (EPZ) have been one of the most important components of export-promotion strategy in developing countries since the 1960s. When China set up its first EPZ in 1979, EPZs had started spreading in Asia. The number of EPZs in China/Asia increased to 500 by 1996 (OECD), and 2,700 by 2003 (ILO). The EPZs around the world hire 42 million labor and 30 million of them work in more than 200 EPZs in China, which reflect the significance of these zones.

UNIDO (1980) defines an EPZ as “a relatively small, geographically separated area within a country, the purpose of which is to attract export-oriented industries, by offering them especially favorable investment and trade conditions as compared with the remainder of the host country. In particular, the EPZs provide for the importation of goods to be used in the production of exports on a bonded duty free basis”. ILO gives it a more general definition as “industrial zones with special incentives set up to attract foreign investors, in which imported materials undergo some degree of processing before being re-exported”. The typology of ILO divides manufacture related EPZs into three main types, Special Economic Zones, Industrial Free Zone and Enterprise Zones. The latter two, including other services related to EPZs, are all called “Development Zones” in China.

China's EPZs began as four Special Economic Zones (SEZs) in Shenzhen, Zhuhai, Shantou and Xiamen in 1980 and later expanded to 14 open coastal cities¹. The entire Hainan Province became the fifth SEZ in 1985. In the same year, the Yangzi River Delta, Pearl River Delta, Southern Fujian Delta, Shandong Peninsula, Liaodong Peninsula, Heibei and Guangxi Province also became open coastal zones. In the years that followed, familiar open policies appeared in most provincial capitals, some open border cities² and open riverside cities³ along the Yangzi River. By the end of 1992, China had set up 60 SEZs (5 Special Economic Zones, 15 open coastal cities, 8 open riverside cities, 19 open inland cities and 13 open boarder cities).

These different open zones include provinces, separate planning cities (or semi-provincial jurisdiction cities), as well as entire cities. Apart from the earliest four, China's SEZs (particularly the open cities) are more jurisdictions than physical zones -- a Chinese innovation. After that, this kind of jurisdiction expanded to almost all regions of China and the policy has changed from interregional to inside-outside development zones within the same region. This makes the concept of EPZs closer to Development Zones in China.

The Development Zones are EPZs built inside the main cities (which include a lot of SEZs) that are usually called "new districts". According to China's National Typology,

¹These Open Cities include Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang and Beihai . Weihai is the 15th Open city which was added later.

² China set up 14 Boarder Economic Cooperation Zones (BECZ) and two Mutual Market Trade Zones.

³ Includes Wuhu, Jiujiang, Wuhan, Yueyang, Chongqing, Yichang, Wanxian, Fuling

the Development Zones are divided into six main types. The Economic and Technology Development Zones (ETDZ), the High-tech Industrial Development Zones (HIDZs) and the Border Economic Cooperation Zone (BECZ), are usually part of a city that allow a broad range of duty free goods and activities. These zones are in line with the ILO definition of an Enterprise Zone. The Bounded Zones / Logistics Parks, the Export Processing Zones and Industrial Parks⁴ and Investment Zones⁵ of China are usually enclaves of a city that attracts mainly export industries – matching the ILO definition of Industrial / Commercial Free Zones.

Table 1 Typology of EPZs in China

China's National Typology	ILO's Typology
Special Economic Zone (SEZ) Open Coastal/ Riverside/ Inland/ Border City	Special Economic Zone
Economic and Technology Development Zone (ETDZ) High-tech Industrial Development Zone (HIDZ) Border Economic Cooperation Zone (BECZ)	Enterprise Zone
Bounded Zone / Logistics Park (BZ / BLZ) Export Processing Zone (EPZ) Industrial Park, Investment Zone etc. (IP / IZ)	Industrial / Commercial Free Zone

Source: ILO, Types of zones: An evolutionary typology, <http://www.ilo.org/public/english/dialogue/sector/themes/epz/typology.htm>.

By the end of 2005, there were 210 national Development Zones⁶ (including 123 Enterprise Zones and 87 Industrial / Commercial Free Zones) and 1,346 provincial Development Zones. Among them, about two-third of China's national Development Zones and half of the provincial ones were located in eastern China, which is its coastal site. Except for the BECZs that are especially set up for the inland regions, other types of development zones are all concentrated in coastal China, particularly

⁴ Suzhou Industrial Park is treated as ETDZ.

⁵ Xiamen Haicang Taiwan Enterprise Investment Zone is treated as ETDZ.

⁶ 12 tourist resorts are not included.

the Industrial / Commercial Free Zones. It is only because of the “Western China Development” strategy, that western parts of the country have 10 HIDZs and 6 BECZs at all.

Table 2 Regional Distribution of China’s Development Zones

	Total	Eastern	Middle	Western
National Development Zone				
ETDZ	54	33	10	11
HIDZ	53	29	14	10
BECZ	16	3	7	6
BZ	22	22		
EPZ	57	44	7	6
IP / IZ	8	8		
	210	139	38	33
Provincial Development Zone				
	1346	683	483	180

Source: National Development and Reform Committee, Bulletin Catalog of China’s Development Zone Censor 2006, <http://www.ndrc.gov.cn>.

II Development of China’s EPZs

a. Foundation of China’s EPZs

China’s EPZs, or development zones, experienced three waves of development. The first stage lasted from 1984 to 1990. Apart from the 9 ETDZs that were set up in 1984, only 9 other Development Zones were set up in the following 6 years. The period from 1991 to 1999 was the second stage of booming and slow-down. During its peak in 1992, 58 Development Zones were established and 52 HIDZs also appeared at the end of the year. The amount of Development Zones sextupled from 1990 to 1993, which also helped FDI inflows to China double and triple within those years. After

2000, when China was approaching entry into WTO, series of EPZs (according to China's typology) were set up to enhance exports. The main aim of the third wave of ETDZs was to implement the "Western China Development" strategy.

The first stage began with the establishment of SEZ of Shenzhen, which is the first "experiment" that China tried, to open its door to the world. The sign of the second stage was Shanghai Pudong New Area, which includes one ETDZ, one BZ (Waigaoqiao), one EPZ (Jinqiao) and one Financial and Trade Zone (Lujiazui). Pudong was thought of as the first stone of China to cross the river of market economy. The third stage was triggered by China's entry into WTO and from 2005 a new type of "National Integrated Support Reform Pilot Area" was founded in Pudong and Tianjin Binhai New Area. Binhai was planned to be a successor of Pudong but 5 times bigger than that. Several financial deregulations are being introduced there exclusively and Binhai could be a potential financial rebalancing act against the existing centers of Shanghai, Hong Kong and Singapore.

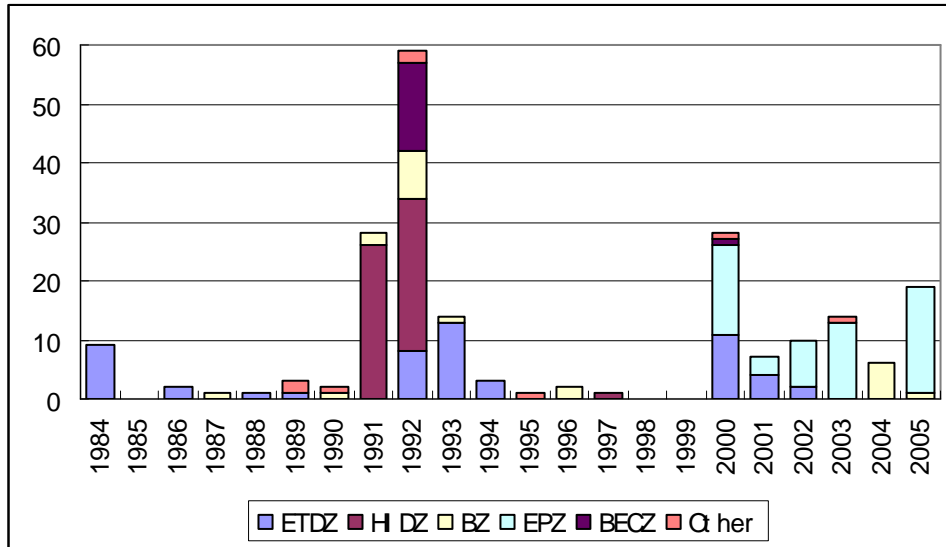


Figure 1 Foundation of China's Development Zones (1984-2005)

Notes: -a. tourist resorts not included.

b. Bounded Logistics Parks are counted in Bounded Zones.

c. Mutual Market Trade Zones are counted in Border Economic Cooperation Zones.

d. Other includes Industrial Parks, Investment Zones.

Source: National Development and Reform Committee, Bulletin Catalog of China's Development Zone Censor 2006, <http://www.ndrc.gov.cn>

China set up 13 ETDZs⁷ inside the open coastal cities in the 1980s. In the early 1990s, another 24 ETDZs⁸ were built up in the left open coastal cities⁹ and in provincial capitals of central China. Under “Western China Development” strategy, the latest 17 ETDZs have appeared in western provincial capitals and middle provincial capitals after 2000, which means that every provincial capital now has its own ETDZs.

The ETDZs provide reduced nominal business tax, from 33 per cent down to 15 per cent, as their main incentive. The real average tax rate is 11 per cent inside the zone as opposed to 26.7 percent outside the zones. In addition, all productive foreign-funded

⁷ Xiamen Haicang Taiwan Enterprise Investment Zone was also included in this .

⁸ Shanghai Jinqiao Export Processing Zone, Shanghai Yangpu Economic Development Zone, Suzhou Industrial Park, Ningbo Daxie Development Zone were also counted in by the statistics of Ministry of Commerce.

⁹ Includes Weihai, Wunzhou, Ningbo, Fuzhou and the second ETDZ of Guangzhou.

enterprises are exempted from national business tax during the first two years, and subjected to half taxation for the next three years. They are exempted from local taxes for five years as well. Foreign exchange controls were also reduced, even when China had a shortage of foreign exchange reserves in the 1980s.

During the boom years (from 1991 to 1993) for EPZs in China, other kinds of Development Zones were set up in most of the SEZs, provincial capitals and deltas. During these 2 years, 52 High-tech Industrial¹⁰ Development Zones (HIDZs) appeared¹¹. These zones focused on high-tech industries and were aimed at upgrading China's industries. They are under the management of Ministry of Science and Technology of China, whereas other development zones are managed by the Ministry of Commerce.

These two kinds of zones are usually in cities and meet the ILO definition of an Enterprise Zone. During the boom years, China also set up more than 10 Bounded Zones (BZ) in the SEZs and in coastal cities. They are in fact a combination of the ILO's industrial and commercial free zones and six of them expanded their Bounded Logistics Parks in 2004, which are purely commercial free zones.

Together with the booming of China's processing trade after its entry into WTO, a

¹⁰ The high-tech industries include Medical and Pharmaceutical Products, Aviation and Aircrafts Manufacturing, Electron and Communicate Equipments, Electronic Computers and Office Equipments, Medical Treatment Instrument and Meter.

¹¹ Yangling HIDZ was founded in 1997.

type of pure industrial free zone, China's Export Processing Zones, expanded very quickly. Over the past 5 years, 58 EPZs appeared in Shenzhen, Xiamen, the open coastal cities (except Wenzhou and Zhanjiang) and in more than ten inland provincial capitals. Shanghai and Jiangsu became the habitat of China's EPZs, 20 of all the EPZs were concentrated in this processing export center.

When China set up the Bounded Zones in 1992, their main function was designed to advance China's international trade and processing by setting up bonded warehouses (where the commodities are exempted from all barriers) and allowing capital equipment and production inputs free of tax. But the latter practice showed that the BZs are much more suitable for commodities trade than processing trade, and so China established a series of EPZs to match those requirements.

The EPZs in China are very simple zones that have the deepest levels of openness in the country (Huang and Lin, 2002). In addition to the incentives offered by BZs, the production inputs entering EPZs are treated as exports and can take the drawback. The processing production and related work is free of value added tax and excise. Besides, Customs also provide 24-hour service within these zones.

The incentives of export to all firms in BZs include export tax rebate and export credit¹². Value-added tax and import duty rebate on exported products is a widely used

¹² The priority of using and preserving of foreign exchange was no longer important because of the booming of China's foreign exchange reserve.

financial incentive for export promotion. Its objective is to grant zero export taxation to all exports to eliminate double taxation before they reach the consumers in the importing country. Export credits are loans or financing facilities provided to exporters or importers, including packing loans based on Letter of Credit, export Forfeiting, export bills negotiation, export promotion loans at preferential interest rates and deferred payments for importers. Also, export credit insurance is provided to exporters to cover the credit or political risks associated with export activities. These policies have worked effectively and contributed significantly to China's exports in both the short and the long run (Fu, 2003).

b. Labor Regulations and Other

Enterprises with foreign investment in China must be responsible for the health, safety, medical treatment and rights & interests of workers, according to China's labor laws.

The PRC Labour Law, and the PRC Trade Union Law are the principal Chinese labour laws. Supplementary laws have also been issued for particular aspects of employment. The laws, which apply to all enterprises and economic organizations, address most employment issues including recruitment, contracts, wages, work conditions, occupational health and safety, women in the workforce and dispute resolution. However, labour practices vary between regions as provincial and local labour departments have fairly wide discretion in handling local labour matters.

FFEs recruit Chinese employees directly as well as through local employment service centres or organisations. Foreign nationals, however, require approval from the local labour bureau and the employer must demonstrate why local employees cannot fill the position or do not otherwise qualify. In recent years, FFEs have been facing increasing difficulties in recruiting and retaining high skilled labour in China due to stronger demand over supply. This is particularly the case in Beijing, Shanghai and Guangdong where multinational (MNEs) and other FFEs cluster are dominant.

The Labour Law provides a minimum wage requirement, which is determined at a provincial level. Employers must also deduct and withhold employee income tax, social security and related payments. The Ministry of Labor and Social Security especially printed the new version¹³ of the Rule of Minimum Wage at the end of 2003, which went into effect from March 1st 2004. This new regulation provided a general method for all provinces to establish their own standard of Minimum Wage.

In order to employ Chinese nationals in a foreign Representative Offices in China, the employer must obtain approval and a registration certificate for the Representative Office. However all employment contracts of a Representative Office have to be handled through local employment service centres or organisations such as the Foreign Enterprise Service Company (FESCO) or the China International Intellectech

¹³ The old version of 1993 only prescribed the Minimum Wage of enterprises.

Corp (CIIC). Salary levels are rigid as a result of standard packages set by these organisations.

Table 3 Regional Minimum Wage Requirement

	Execution Date	Levels of Minimum Wage Requirement (RMB Yuan / Month)									
Beijing	2006.07.01	640									
Tianjin	2006.04.01	570	650								
Hebei	2006.10.01	580	540	480	440						
Shanxi	2006.10.01	550	510	470	430						
Inner Mongolia	2006.10.01	560	520	460	400						
Liaoning	2006	590	480	420							
Jilin	2006.05.01	510	480	410							
Heilongjiang	2006.05.01	620	590	475	450	420	400	380			
Shanghai	2006.09.01	750									
Jiangsu	2006.10.01	750	620	520							
Zhejiang	2006.09.01	750	670	620	540						
Anhui	2006.10.01	520	500	460	430	390	380				
Fujian	2006.08.01	650	600	570	550	480	400				
Jiangxi	2006.12.17	510	480	450	420	390					
Shandong	2006.10.01	610	540	480	430	390					
Henan	2006.10.01	480	400	320							
Hubei	2006.03.01	460	400	360	320	280					
Hunan	2006.07.01	600	500	480	450	420	400				
Guangdong	2006.09.01	780	690	600	500	450					
Guangxi	2006.09.01	500	435	390	345						
Hainan	2006.07.01	580	480	430							
Chongqing	2006.09.01	580	480	440							
Sichuan	2006.09.11	580	510	450	400						
Guizhou	2006.10.01	550	500	450							
Yunnan	2006.07.01	540	480	420							
Tibet	2006.11.01	495	470	445							
Shaanxi	2006.10.01	540	500	460	420						
Gansu	2006.08.25	430	400	360	320						
Qinghai	2006.07.01	460	450	440							
Ningxia	2006.03.01	450	420	380							
Xinjiang	2006.05.01	670	620	580	550	520	500	480	460	440	

Source: Ministry of Labour and Social Security, “Minimum Wage Institution Continuously Improving, Minimum Wage Requirement Continuously Increasing”, *Renmin Ribao (People Daily)*, Oct. 4th 2007.

Joint Ventures or WOFEs can carry out their own recruitment, and use their own labor contracts (but have to incorporate some basic terms according to local government requirements). Compared to a representative office, a JV or WOFE can set its own

salary levels and welfare schemes. There are also social security insurance schemes that companies have to adopt, including basic pension, unemployment, medical, and also housing and transportation subsidies.

There is no restriction on hiring local Chinese residents; however recruiting residents outside China, including HK/Taiwanese staff, require the prior approval of local labor and social security bureaus along with work permits/visas.

In general, one of the most important issues which are taken into account is the accuracy of an applicant's CV. Fake degree certificates and false CVs are common in China. A way to prevent this is to ensure that the employer retains a right to revoke the labour contract in case the items on an applicant's CV turn out to be false. Employers can also take such employees to court. Another common practice is to conduct physical examinations¹⁴ of new employees.

For representative offices, the contracts used are standard, provided by government designated HR agencies. JVs and WOFEs can develop their own contracts, as long as the terms are in compliance with Chinese labour laws and regulations.

¹⁴ Pregnancy test is not included in most physical test of China.

Box 1 Environmental Regulations

Environmental Protection Law (EPL), which was officially enacted in 1989. The EPL provides the basic principles governing the prevention of pollution and environmental protection and imposes criminal responsibility for serious environmental pollution.

Environmental Impact Assessment Law: promulgated on the 28 October 2002 and became effective from September 2003. It clarifies environmental requirements that affect foreign investors, roles of government departments, and liability for non-compliance. The law includes stipulations on openness of information; safeguarding participants' rights; and procedures and methods for public involvement, including opinion surveys, consultations, seminars, debates, and hearings.

Regulations on Recycling and Disposal of Waste and Used Household Electrical Appliances (often referred to as “China WEEE”) has been reported to the State Council by the National Development and Reform Committee, which will establish a manufacturer and seller responsibility system beginning with televisions, refrigerators, washing machines, air conditioners and computers.

Measures for Administration of the Control of Pollution by Electronic Information Products (often referred to as “China RoHS”) states January 1, 2006 as the starting date and March, 2007 as the effective date, which will cover electronic radar products, electronic communications products, radio and television products, electronic instrumentation and metering products, specialized electronic products, electronic components and parts, electronic materials, and software products and accessories in addition to computer products and home electronics products.

c. Employment Effect of Exports, FDI and EPZs

In a country with a reservoir of surplus labor, exports and FDI has played an important role in absorbing the huge labor supply. It is found that exports, assisted by China’s highly export-oriented FDI, formed effective productive capacity and provided a vent for China’s surplus labor. This is particularly the case in the EPZs and among the township and village enterprises (TVEs). Empirical research finds that for

the township and village enterprises, a 1 per cent increase in total exports would have created about 213,000 job opportunities in this sector. From 1998 to 2003, TVEs' exports grew at 15.5 per cent per year on an average. For a country such as China with a large volume of unemployment, this means about 3 million job opportunities became available every year in the TVE sector fuelled by its fast export growth. (Fu and Balasubramanyam).

The direct effect of FDI on employment is also substantial in China. The share of employment by FFEs in that of total industrial enterprises tripled between 1995 and 2005. During the period between 1995 and 2000, the total employment of industrial enterprises decreased 18.8 per cent, whereas, the employment by FFEs increased by 24.4 per cent. When China's total employment of industrial enterprise rose from 89.24 million in 2000 to 105.20 million in 2005, the FFEs contributed 56 per cent to this growth.

Table 4 Employment of Foreign Funded Unit and Enterprises

	Unit: thousand persons		
	1995	2000	2005
Employment of Foreign Funded Enterprises	8078.2	10053.3	18996.4
Employment of Industrial Enterprises	109930	89240	105200
Share of FFE in total (%)	7.35	11.27	18.06

Notes: Employment of industrial enterprises refers to employment in all industrial enterprises (includes state-owned, collective-owned, other-owned, private and town & village enterprises).

Source: National Statistics Bureau, China Statistics Yearbook 2006, Beijing: China Statistics Press, 1996, 2006.

The growth of FFEs' employment also greatly increased the employment of the

Development Zones, in which more than two thirds of the employment comes from FFEs. The total employment in all national Development Zones increased from 3.3 million in 1995 to 18.8 million in 2005, which made their share in China's employment of industrial enterprises rise from 3.0 per cent to 17.8 per cent. Considering the employment in the SEZS and Open Costal Cities which is outside the national DZs, the total was closed to 30 million, the estimation from ILO, which is about thirty per cent of the employment of industrial enterprises. The outside employment decreased because of the Lay-off policy from 1998. The DZs have become one of the main sources of China's industrial employment during the past ten years although most of it came from FFEs in these DZs.

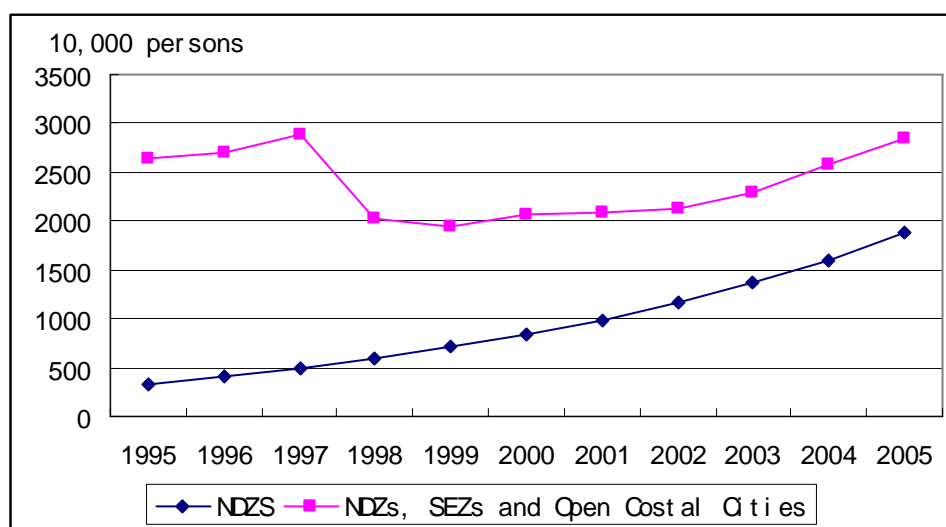


Figure 2 Share of Total Employment of National Development Zones in Industrial Enterprises

Notes: The employment of other national DZs are estimate as the sum of ETDZs and HIDZs.

The overlap of national DZs in SEZs and Open Coastal Cities

Source: Ministry of Commerce (China), Development Report of National Economic and Technology Development Zones 2005, <http://www.fdi.gov.cn>.

Ministry of Science and Technology, China High-tech Industries Statistics (various years), <http://www.sts.org.cn>.

The statistics from the Ministry of Labor and Social Security show that Guangdong,

Zhejiang, Shanghai, Beijing, Jiangsu, Fujian and Tianjin are the top seven target regions for migrant workers. They share 82 per cent of the total inflow among all regions in 2002. Five of them are also the regions with the most Development Zones.¹⁵

Out of all regions, the top six provinces that have the most Development Zones also share a large part of total FFE employment. Their number of employees tripled from 6 million to 15.8 million over the past ten years and their share of FFE employment rose from 73.7 per cent to 83.0 per cent. In fact, these six provinces contributed 89.9 per cent of the growth in FFE employment.

Table 5 Regional FFEs Employment and National Development Zones

	1995		2005	
	FFEs Employment (Thousand)	Number of National DZs	FFEs Employment (Thousand)	Number of National DZs
Shanghai	571.2 (7.07)	7 (5.69)	1374.0 (7.23)	15 (7.14)
Jiangsu	730.4 (9.04)	10 (8.13)	2452.1 (12.91)	25 (11.90)
Zhejiang	485.6 (6.01)	7 (5.69)	1625.7 (8.56)	12 (5.71)
Fujian	809.8 (10.02)	12 (9.76)	1707.5 (8.99)	15 (7.14)
Shandong	603.6 (7.47)	9 (7.32)	1485.9 (7.82)	17 (8.10)
Guangdong	2753.2 (34.08)	14 (11.38)	7120.6 (37.48)	22 (10.48)
Total	5953.8 (73.69)	59 (47.97)	15765.8 (82.99)	106 (50.48)

Notes: The numbers in the brackets are the shares of China's total.

Source: National Statistics Bureau, China Statistics Yearbook 2006, Beijing: China Statistics Press, 2006.

The employment by the FFEs, which is the main body of the Development Zones, is divided between two group of industries; textiles and apparel on one hand and electrical and communication equipment on the other. These industries comprise 49.7 per cent of total employment and 44.2 per cent of the gross industrial output. They have in general a preference for low cost skilled labor and they are concentrated in Development Zones which has been one of the most important factors behind the

¹⁵ Ministry of Labour and Social Security, Quantity, Structure and Feature of Current Migrant Worker Flow, <http://www.molss.gov.cn>

growth in the employment rates within the Development Zones.

Table 6 Top 5 Employment Industries of Foreign Funded Enterprises in 2005

	Employment		GIO	
	Number (Thousand)	Share (%)	Amount (Billion Yuan)	Share (%)
Textile	1481.1	7.80	320.18	4.01
Wearing Apparel, Footwear, and Caps	1787.7	9.41	229.01	2.87
Leather, Fur, Feather	1460.1	7.69	182.71	2.29
Electrical Machinery and Equipment	1531.6	8.06	526.47	6.59
Communication Equipment, Computers	3184.9	16.77	2271.23	28.44
Total		49.72		44.20

Source: National Statistics Bureau, China Statistics Yearbook 2006, Beijing: China Statistics Press, 2006.

III Economic Contribution of China's EPZs

a. Main body of National Economy

Although the combined area of all 49 ETDZs is only 584 square kilometers which is 0.006 per cent of China, they contributed 3.8 per cent of China's GDP, 8 per cent of China's Gross Industrial Output (GIO) and 7 per cent of Industrial Value Added (IVA) in 2005. Before 2000, the ETDZs had a stable share of China's FDI inflow, which is about 8%. After that, it doubled within 5 years to 16.7 per cent in 2005. Together with that, the share of ETDZs' exports also doubled from 6.85 per cent in 1995 to 12.49 percent in 2005.

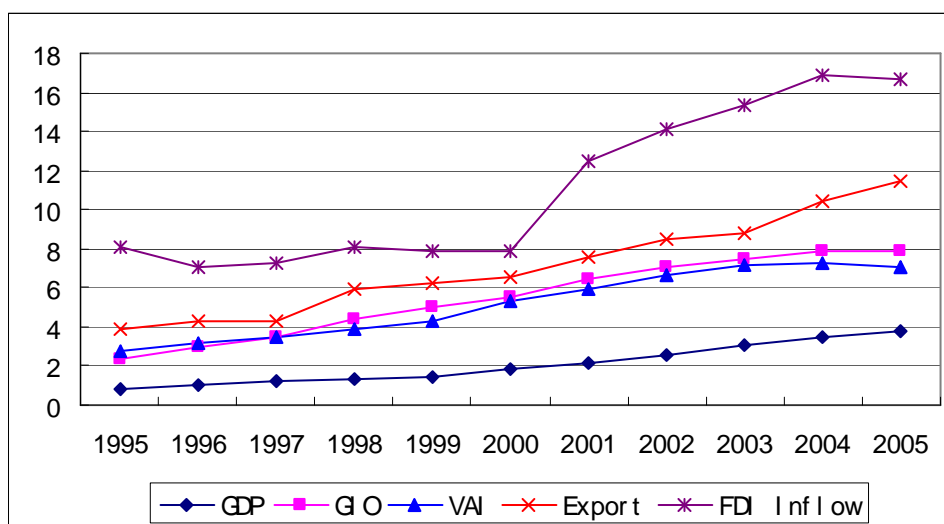


Figure 3 Share of National ETDZs in China's Economy (%)

Source: Ministry of Commerce (China), Development Report of National Economic and Technology Development Zones 2005, <http://www.fdi.gov.cn>.

The 53 HIDZs make an even larger contribution to the economy. Their total area is 963 square kilometers, or 0.01 per cent of China's total area. In 2005, they hired

nearly 5 per cent of China's total industrial labor market, whereas ETDZs hired 4 per cent of China's total industrial labor. In spite of having the same share in labor market as that of ETDZs in GIO and VAI, initially, their share was 3.7 per cent and 2.4 per cent higher than that of ETDZs in 2005. The value of their exports increased sharply from 2.0 percent in 1995 to 14.7 in 2005, which is 3.2 per cent higher than HIDZs.

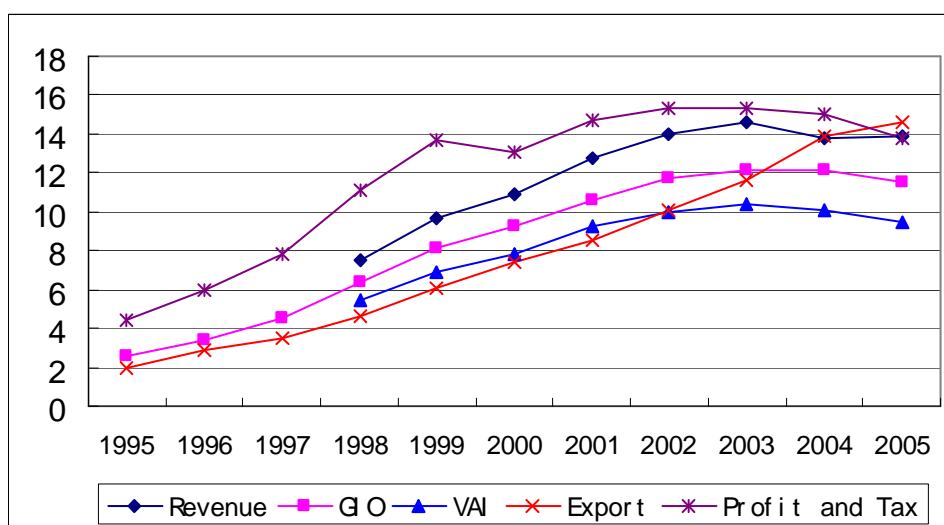


Figure 4 Share of National HIDZs in China's Economy (%)

Notes: The share of profit and tax may be overestimated because of the tax of the whole country only counted in Value Added Tax.

Source: Ministry of Science and Technology, China High-tech Industries Statistics (various years), <http://www.sts.org.cn>.

These two kinds of Development Zones are also very important sources of China's FDI stock, especially the ETDZs. By the end of 2005, the real FDI stock of the ETDZs had reached 99.93 billion US dollars and shared 16.1 per cent of China's total FDI. Among all ETDZs, the FDI stock of eastern China's ETDZs reached 87.29 billion US dollars which was 87.35 per cent. On the contrary, those central and western China only shared 9.96 per cent and 2.68 per cent. This distribution was much more uneven than the total number of ETDZs. The real FDI stock of the HIDZs also reached 76.08 billion US dollars at the end of 2006, which shared 11 per cent of

China total. This means the national Development Zones may share about one third of China's FDI stock.

According to customs statistics, the total BZ and EPZ trade in 2004 reached 109.69 billion US dollars, which accounted for 9.5 per cent of China's total external trade. Together with the ETDZs, HIDZs and other DZs, the national development zones share contributed to more than 10 percent of China's GDP and industrial employment, one third of the total GIO and VAI and also probably one third of total trade and FDI (both inflow and stock). The statistics of MOC (2006) also points out that the share of China's GDP and total trade of all development zones (provincial and under level development zones included) has reached 68 percent and 87 per cent in 2005¹⁶, which makes them the main body of China's economy.

b. Engines of Regional Economy

During the past twenty years, the national Development Zones have greatly contributed to China's economy and have become engines of growth in many regions. Except for the three municipalities, the GDP per capita in the other 28 regions in 2005 have strong links with the level of development zone development. This gives us a general idea that the regions with more Development Zones have benefited from these zones.

¹⁶ Yang, Xiao, "Merits and demerits of Development Zones in the Past 20 Years", Zhongguo Jingying Bao (China Business), Nov 13rd, 2006, <http://www.cb.com.cn/News/ShowNews.aspx?newsId=6631>.

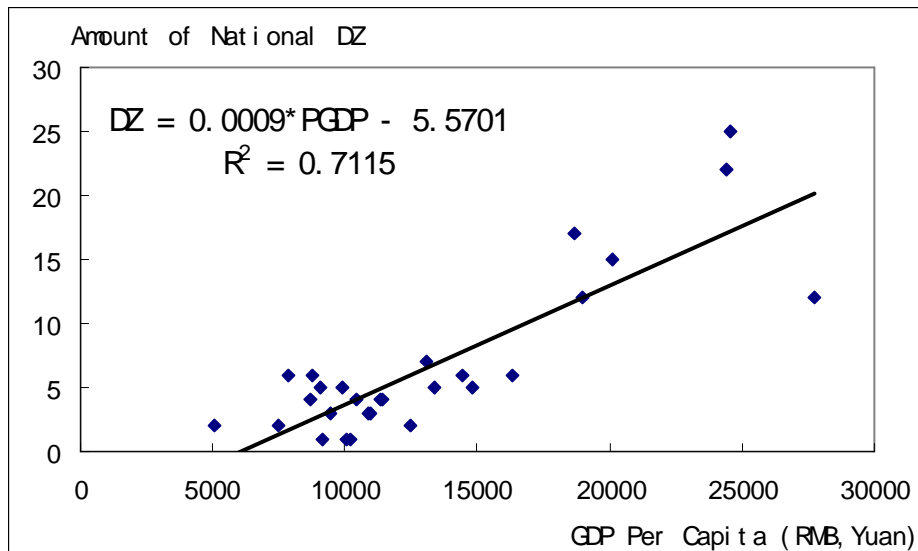


Figure 5 National Development Zone and Regional Economic Development

Notes: Municipality not included.

Source: National Statistics Bureau, China Statistics Yearbook 2006, Beijing: China Statistics Press, 2006.

We note that the amount of provincial Development Zones is also related to the economic development of China's regions. Apart from the three municipalities and a group of provinces¹⁷ that "Over Used" Development Zones, the number of provincial Development Zones has a strong correlation with their GDP per capita in 2005. This indicates that the provincial development zones are also engines of the regional economy of China.

¹⁷ Includes Shandong (the upper right point), Jiangxi, Anhui, Hubei, Hunan, which have much more provincial development zones than provinces with the same GDP per capita.

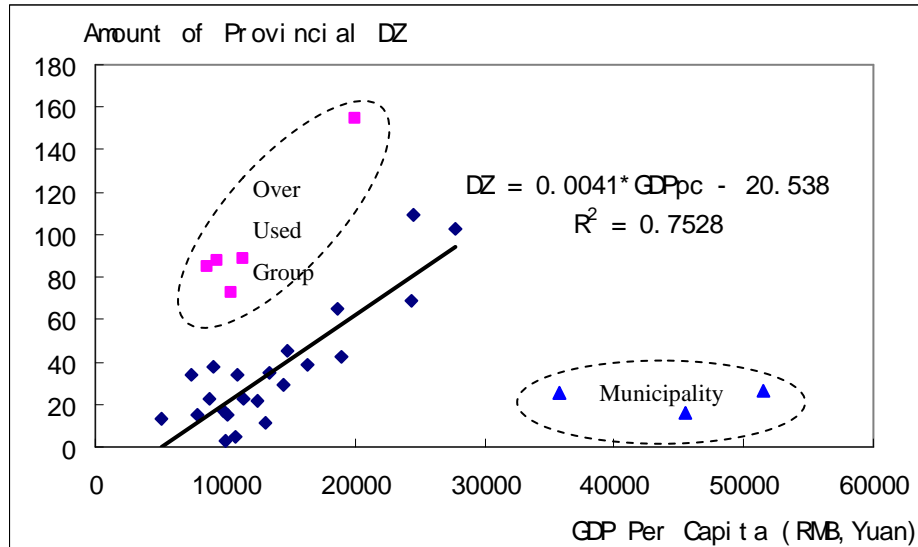


Figure 6 Provincial Development Zone and Regional Economic Development

Source: National Statistics Bureau, China Statistics Yearbook 2006, Beijing: China Statistics Press, 2006.

In addition, the Development Zones are key factors behind regional FDI inflows. The top six regions with the largest scale of total investment in foreign funded enterprise are also the regions with the most national Development Zones. They also share 77.3 per cent of China's total GIO of foreign funded enterprise and 69.1 per cent of their total investment. The national Development Zones are obviously an efficient way of enhancing FDI inflow for/to the regions.

Table 7 Development Zones and Regional FDI in 2005

	Number of National DZs	Total Investment of Foreign Funded Enterprise (billion \$)	GIO of Foreign Enterprise (billion \$)	Foreign Funded
Shanghai	15	200.7		119.5
Jiangsu	25	265.7		161.9
Zhejiang	12	101.9		68.9
Shandong	15	75.3		58.0
Fujian	17	78.6		65.9
Guangdong	22	288.9		279.3
China	210	1464.0		974.9
Share of	50.5	69.1		77.3

Source: National Statistics Bureau, China Statistics Yearbook 2006, Beijing: China Statistics Press, 2006.

However, the FDI-assisted, labor-intensive export activities in China, which is highly concentrated in China's coastal regions, especially in the EPZs, have attracted substantial young and educated efficient labor to migrate from the poor inland regions to the coastal regions. These migrate workers have relaxed the labor constraint in the coastal region, thereby enabling these regions to sustain their fast growth. Moreover, the marginal product of migrants is more than three times of their wage rate (Knight and Song, 1999), which indicates they are contributing considerable surplus to the wealth of the host regions. All this contributes to the increasing regional income inequalities in China since 1990s (Fu, 2003).

c. Technology Upgrading

The debate regarding the positive contribution to technology upgrading in host countries by FDI has been a hot topic over the past decades. This problem is more obvious if we particularly think about the direct effect. The structure of the foreign funded manufacturing enterprises was more directed towards technology intensive industries compared with China's domestic firms, whose share in total FIE exports increased from 34.47 percent in 1995 (still 4.21 per cent less than the labor intensive industries) to 51.27 in 2005. This meant the gap with domestic manufacturing enterprises increased from 12.9 per cent to 29.4 per cent. Considering this share of the domestic manufacturing enterprises changed very little from 1995 to 2005, we may simply say that the source of the structural upgrading of China's manufacture is

foreign funded enterprise.

Table 8 Structure of the GIO of China's Industry

	1995	2000	2005
All Manufacturing Enterprises			
Total GIO (100 million Yuan)	54947	85674	251620
Labor Intensive	34.33	28.42	24.02
Capital Intensive	41.75	41.02	43.62
Technology Intensive	23.92	30.56	32.36
Foreign Funded Manufacturing Enterprises			
Total GIO (100 million Yuan)	10714	23465	79860
Labor Intensive	38.68	28.77	22.16
Capital Intensive	26.85	26.59	26.47
Technology Intensive	34.47	44.64	51.37
Domestics Manufacturing Enterprises			
Total GIO	44233	62209	171759
Labor Intensive	33.35	28.27	25.05
Capital Intensive	45.10	47.18	52.99
Technology Intensive	21.55	24.56	21.97

Notes: Labour Intensive industries includes industry 13-24, Capital Intensive industries includes industry 25-35 (except 27), Technology Intensive industries includes 36-43 (includes 27) according to China's Industrial Catalog (See Annex Table 1).

Source: National Statistics Bureau, China Statistics Yearbook (various years), Beijing: China Statistics Press, 2006.

On the other hand, there are arguments that this kind of upgrading by FDI and EPZs did not contribute to improving indigenous competitiveness. Although there might be technology and knowledge spillovers from exports and FDI, the extent and quality of technology embodied in export-oriented FDI influence the strength of technology spillovers. On average, the level of technology embodied in FDI has been only two years ahead of the technology in place in China, according to survey results reported in Huang (2001). Although the technology level of FDI has increased since the mid-1990s, when large multinational enterprises began investing in China, case studies in Beijing and Shenzhen by Wang (2000) report that technology advancement levels of foreign-invested

firms are significantly correlated to the equity structures of these firms. High technology levels usually occur in wholly foreign-owned enterprises or joint ventures where foreign partners hold majority equity shares. Advanced core technologies are often controlled by foreign investors in these firms. Therefore, technology spillovers from foreign investment to indigenous firms are limited. In his case study of China's largest car assembly joint venture, the Shanghai-Volkswagen Automotive Company LTD, Nolan (2002) argues that after more than a decade as a joint venture partner to Volkswagen, Shanghai Auto had no capability at all to compete as an independent carmaker. In the Chinese electronics industry, Hu and Jefferson (2002) find significant productivity depression rather than positive spillover effects of FDI on domestic firms.

HIDZs is one of the important policy measure that has been introduced to enhance technology advancement and innovation. Over the 15 years since the foundation of HIDZs, they have shared half of China's high-tech product GIO and one third of China's high-tech product export, which is 218.2 billion US dollars in 2005. In addition, the ETDZs also share another one third of China's high-tech product GIO and export, which means the national development zones are in fact the engines of China's high-tech industries and greatly contribute to its technology upgrading.

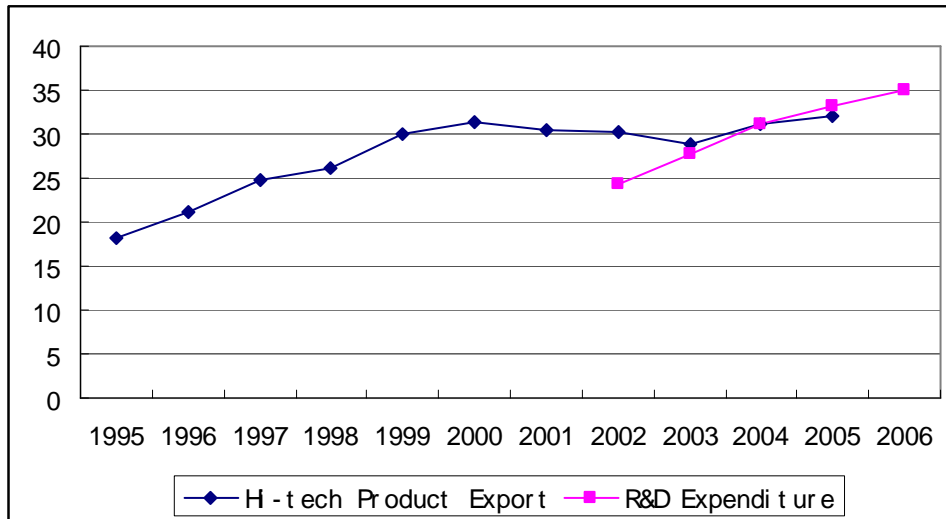


Figure 7 Share of HIDZs in China's Hi-tech Export and R&D (%)

Source: Ministry of Science and Technology, China High-tech Industries Statistics (various years), <http://www.sts.org.cn>.

The main advantage of HIDZs is their intensity of R&D; their expenditure on R & D in 2002 is 31.4 billion RMB Yuan and shares 24.4 per cent of China total expenditure on R&D. Within the following four years, their R&D expenditure tripled to 105.4 billion RMB Yuan and the share rose to 35.1 in 2006. This makes the HIDZs very important innovation entities around China, especially for the industrial R&D. In spite of the fact that ETDZs had only a share of 6.2 per cent of China's R&D expenditure in 2005, they shared another one third of China's high-tech products export, which raised from 31.3 per cent in 2004 to 35.5 per cent in 2005.

d. Wage Level

The higher wages offered by FFEs is always one the most important reasons why they can absorb so many professional and skilled labor. In 1997, the average wage at a Chinese enterprise was only 62 per cent of that of FFEs, and manufacturing wages

was just 58 per cent of FFE wages. However, the FFEs comparative advantage for wages has reduced since then. The average wage at China's enterprises reached 90 per cent of that of FFEs in 2005 and so the wages within Development Zones are certainly not higher in comparison any more.

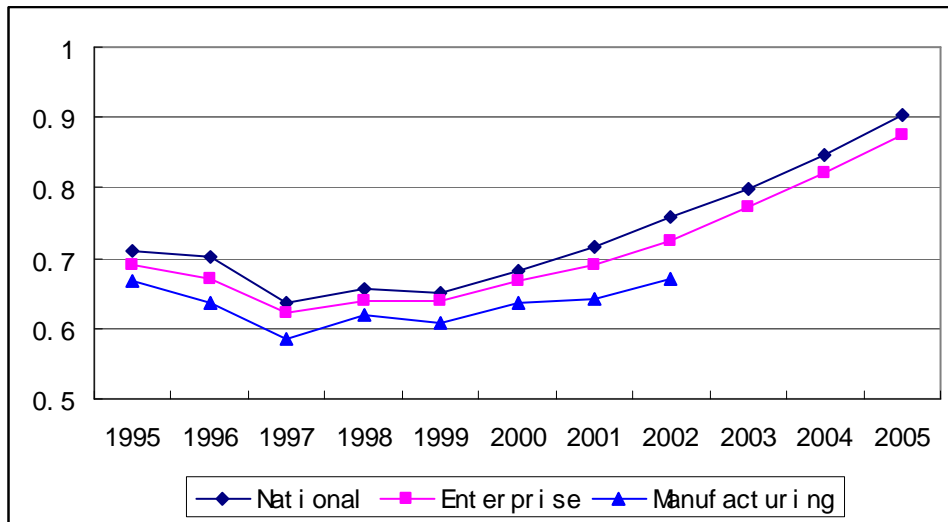


Figure 8 Comparative Wage of Foreign Funded Enterprise (FFE = 1)

Source: National Statistics Bureau, China Statistics Yearbook (various years), Beijing: China Statistics Press, 2006.

Although the wages inside Development Zones are higher than those outside the zones, they are still attractive to most foreign investors. The average wages of foreign funded enterprises are 11 per cent higher than China's average wages, and are the highest among all kinds of ownerships (2,480 US dollars per year in 2005). Compared with neighboring countries, the wage rate is still low. Data shows that the more a region has Development Zones, the higher is its average wage. The pressure of rising wages in eastern China may lead to a transfer of FDI to inland China.

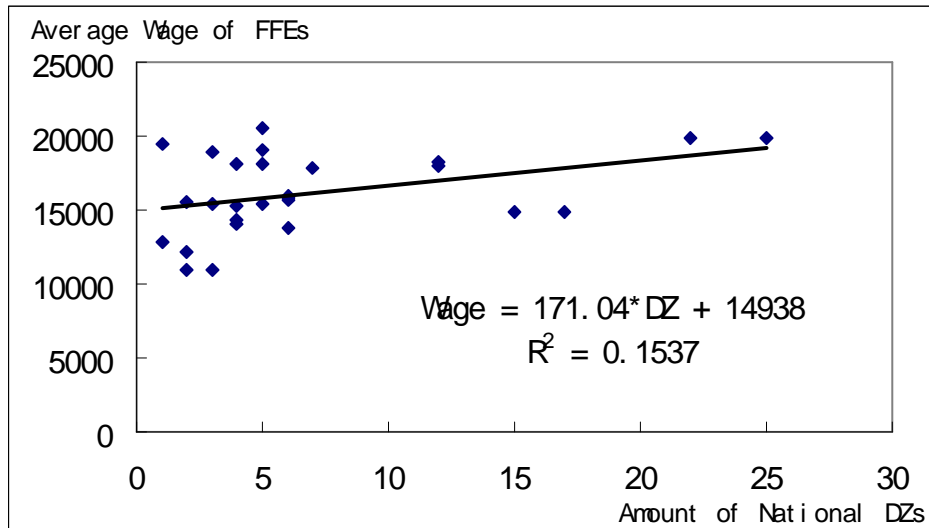


Figure 9 Average Wages of Foreign Funded Enterprises and National Development Zones
 Source: National Statistics Bureau, China Labor Statistical Yearbook 2006, Beijing: China Statistics Press, 2006.

The wage levels between the Development Zones are quite different. One third of all ETDZs belong to the group of high salary level but all of them are located in eastern China. But on the other hand, there are also several eastern ETDZs that have comparatively low salary level; in particular the Fuqing Rongqiao has the lowest wage level. This shows a great disparity of salary among both interregional and intraregional. Although the DZs have positive influence to the salary level, it still strongly relies on the overall economic situation of the region.

Table 9 Comparative Salary Level of ETDZs (2005)

	Eastern	Middle	West
High (50-100)	GuangzhouNansha(100.00), Guangzhou(100.00), ShanghaiJinqiao(81.07), Minhang(81.07), Caohejing(81.07), Hangzhou(76.13), Suzhou Industrial Park(60.60), Daxie(59.87), Tianjin(58.20), XiamenHaicang(52.53)	Beijing(95.67), Hongqiao(81.07), Xiaoshan(76.13), Nanjing(63.60), Ningbo(59.87), Kunshan(54.00)	
Mid (25-50)	Dalian(49.47), Shenyang(41.20), Nantong(35.53), Qinhuangdao(31.20)	Wenzhou(47.07), Yantai(35.73), Fuzhou(34.53), Nanning(30.00)	Changsha(42.33), Huhehaote(39.80), Wuhan(35.33), Nanchang(33.40), Zhengzhou(27.73), Haerbin(26.73), Wuhu(26.67)
Low (0-25)	Huizhou Weihai(23.33), Zhanjiang(20.87), Lianyungang(14.73), Yangpu(10.13), Fuqing Rongqiao(0.00)	Dayawan(24.87), Qingdao(23.13), Yingkou(17.87), Hainan Dongshan(5.40)	Changchun(24.67), Taiyuan(22.27), Hefei(3.20) Yinchuan(19.33), Kunming(19.27), Shihezi(17.07), Chengdu(6.53)

Notes: The salary level refers to the average salary of all labors of the located cities.

Source: Ministry of Commerce (China), Development Report of National Economic and Technology Development Zones 2006, <http://www.fdi.gov.cn>.

The central and western EDTZs were mostly founded after later 1990s. This is because of “Western China Development” strategy as well as the comparative low wage level. But if we consider the overall distribution of the new DZs from 2000, mainly EPZs; it is still concentrated in eastern China just like the early 1990s. The wage level of hinterland China may be a further condition when the new type of DZs becomes mature.

IV Social Contribution of China's EPZs

a. Employment Relation

Hu and Zhao (2006) defined non-formal employment as incorporating three kinds of people: people employed by private enterprises in cities, self-employed and employees and the mainly rural migrant labor in informal employment not covered by national statistics. They believed that non-formal employment is, in fact, the source of the growth of China's total employment. We find out that the amount of national Development Zones have strong a correlation with the share of non-formal employment of different regions. This means that the Development Zones prefer non-formal employment than traditional formal ones and play important roles in that.

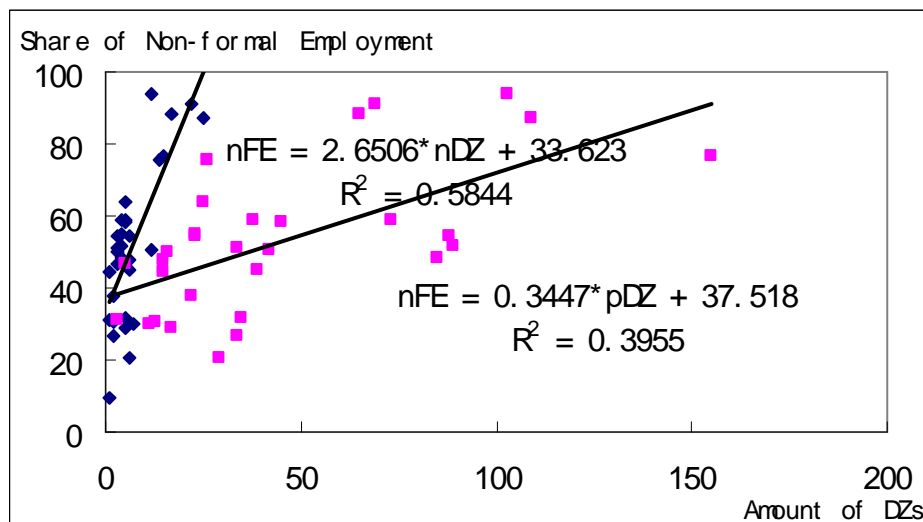


Figure 10 Share of Non-formal Employment and National Development Zones

Notes: The employment here means urban industrial employment

Source: National Statistics Bureau, China Labor Statistical Yearbook 2006, Beijing: China Statistics Press, 2006.

The FFEs greatly prefer female labor compared to domestic enterprises. The ratio of female labor has been around 40 percent for the past 10 years, though the average ratio of women-to-men employees over all enterprises dropped from 40 per cent to 36.5 per cent. But the share of female labor in FFEs, in spite of fluctuating, has always been 10 per cent higher and has been a weak majority in total labor.

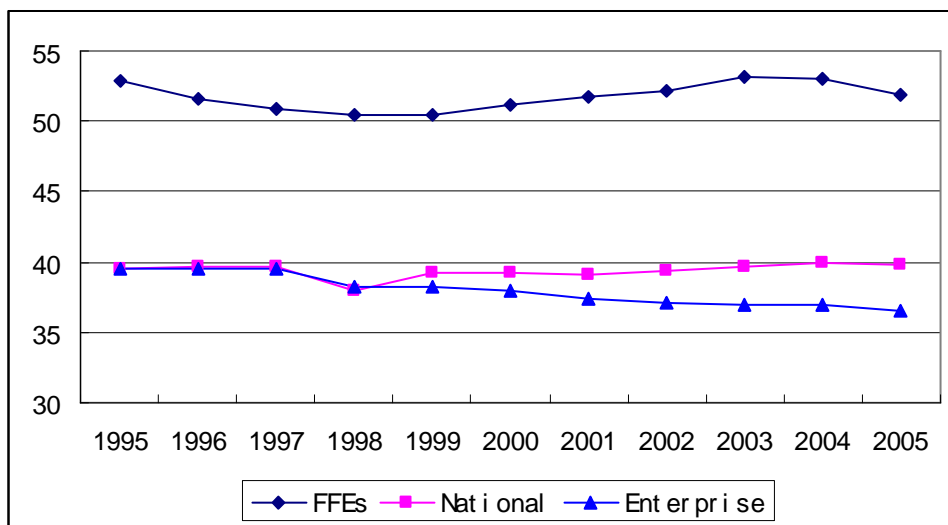


Figure 11 Share of Female Laborers in Employment

Source: National Statistics Bureau, China Labor Statistical Yearbook 2006, Beijing: China Statistics Press, 2006.

The FFEs provided large number of positions to skilled workers, especially female labor, and this preference meant the Development Zones also sought out female labor. The strong proportion of female labor within Development Zones points to this preference.

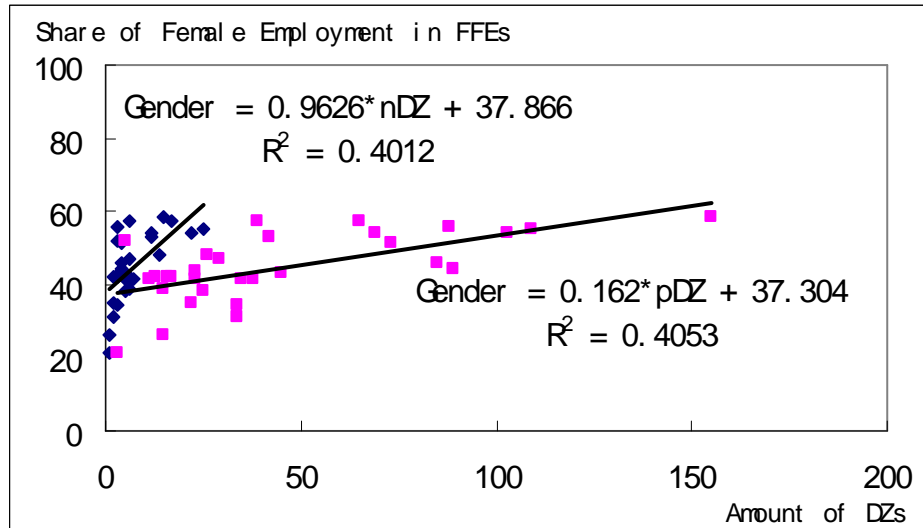


Figure 12 Shares of Female Employment and National Development Zones

Source: National Statistics Bureau, China Labor Statistical Yearbook 2006, Beijing: China Statistics Press, 2006.

b. Human Resource

The quality of China's labor force has improved very fast, and has become another advantage, together with the low cost in terms of attracting FDI. The nine-year compulsive education system means that most labors have had experience of secondary education. On average, the population received five years of education in 1980. This increased to 7.83 years by 2005. Within the labor market, the average years of schooling are even higher, at 8.22 years. Except for Shanghai, the five regions with the most Development Zones have no evident advantage in terms of the quality of labor. This is not a surprising result considering the large amount of migration workers in these areas.

Table 10 Average Education Years of Total Labour Force in 2005

	All	Male	Female
Population	7.83	8.34	7.27
Labor	8.22	8.71	7.65
Jiangsu	8.60	9.20	7.95
Zhejiang	8.14	8.41	7.77
Shandong	8.16	8.75	7.49
Fujian	8.12	8.71	7.34
Guangdong	9.14	9.53	8.68
Max	11.61	11.46	11.82
Min	6.43	7.18	5.25

Source: National Statistics Bureau, China Labor Statistical Yearbook 2006, Beijing: China Statistics Press, 2006.

The Development Zones have attracted a large amount of scientists and technicians as the innovation centers of these regions. Among the 4.17 million employees of total ETDZs, there are 1.14 million holding bachelor degrees or higher, that is 27.34 per cent of the total Chinese population holding such degrees or total workforce at DZs. Compared with the share of China's average in total labor force, 6.82 per cent of all labor, it is a rather high ratio.

The HIDZs also play very important role in the employment of skilled labor. At the end of 2000, there were 0.56 million scientists and technicians among the 2.51 million employees working at HIDZs, which was 22.3 per cent of the total work force. Compared to the 6.4 per cent of China's average in total labor force, it is also a significantly large ratio. The amount of scientists and technicians sharply rose to 0.73 million in 2004 and doubled to 0.99 million (0.21 of them are female) in 2006. Among them, the employees who held masters degrees doubled from 2,000 to 100,000 in 2004, those who held doctorates also doubled to 20,000 by 2004. Also, number of scientists and technicians returning from overseas tripled to 16,000 the

same year. It is also observed that 18 of 21 National Overseas Innovation Parks were located in different HIDZs.

c. Training and Skill Upgrading

The strong preference in Development Zones for skilled workers makes most Development Zones pay much more attention to labor training. The data shows that the number of either national or provincial Development Zones has a strong correlation with the number of newly enrolled students of vocational schools. It is also observed that the number of schools as well as the number of students in school, the number of graduates and of employment all have similar correlation coefficients.

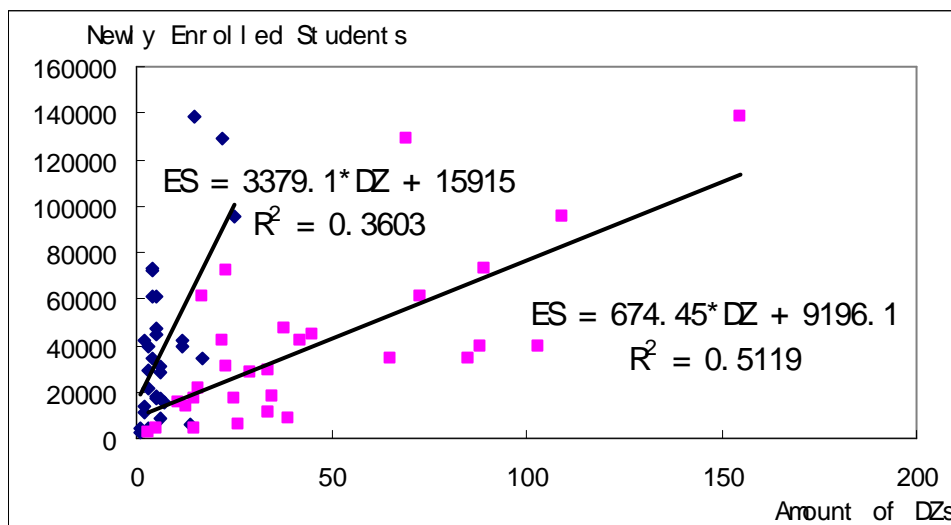


Figure 14 Training of Vocational Schools and Development Zones in 2005

Source: National Statistics Bureau, China Labor Statistical Yearbook 2006, Beijing: China Statistics Press, 2006.

For example, the EDTZs used 6.69 per cent of all expenditure to support related education and training in 2005, which is 4.24 billion Yuan per year. The 32 eastern zones share 73.8 per cent of all education expenditure and have the same share in its

total expenditure as that of the 11 western zones, which is 6.53 per cent. The expenditure of middle 10 zones rose very sharply with an annual growth rate of 57.3 per cent and made its share in total expenditure as high as 8.8 per cent, which is nearly triple of China's average of public finance.

Table 11 Regional Education Expenditure of HIDZs

	Eastern	Middle	Western
Education Expenditure	31.29	6.74	4.36
Total Expenditure	479.00	76.50	77.83
Share of Education (%)	6.53	8.80	6.53
Yearly Growth Rate (%)	18.51	57.30	5.60
Top 3 Zones	Qingdao, Tianjin, Suzhou	Hefei, Wuhan, Wuhu	Chongqing, Chengdu, Guiyang

Source: Ministry of Commerce (China), Development Report of National Economic and Technology Development Zones 2005, <http://www.fdi.gov.cn>.

d. Worker Organization

The establishment of worker organizations inside the Development Zones has been a source of struggle and debate. Some giant multi-national companies do not want any kind of worker organizations, but formal labor unions have emerged, though with comparatively weak negotiation powers. The interesting thing is that Guangdong has set up far more labor unions than any other regions as the result of a long-term effort. In contrast, Jiangsu which has more Development Zones than in Guangdong but only has one fourth of its worker organizations. A large proportion of the Development Zones of Jiangsu are EPZs founded after 2000 and they are still on their way to setting up their own worker organizations.

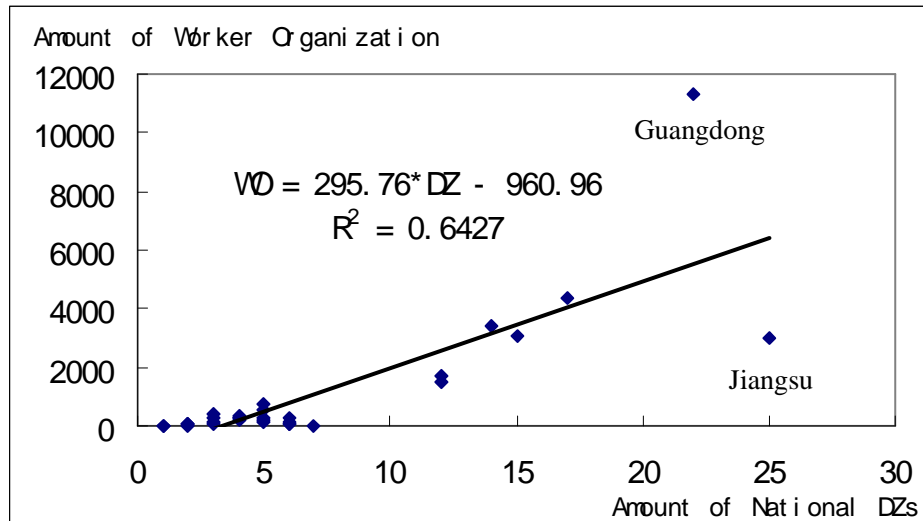


Figure 13 Worker Organizations of FFEs and National Development Zones

Source: National Statistics Bureau, China Labor Statistical Yearbook 2006, Beijing: China Statistics Press, 2006.

The All China Federation of Trade Union (ACFTU) set up an overall target for the ratio of employment joining different level of trade unions to reach 60 per cent in FFEs by 2006. The target set for the Development Zones was much higher, as had to be 80 per cent by the end of 2007. A large majority of the companies who have achieved the SA8000 certificate are located in DZs. This has also greatly enhanced the origin of trade unions inside these zones. Although there are still problems in the operation of the trade unions, ACFTU has tried to let them play more important roles in the improvement of working conditions, labor rights and social dialogue.

e. Corporation Social Responsibility and Harmony Society

China has just started paying attention to Corporation Social Responsibility (CSR). The FFEs in China have been asked to pay much more attention to labor conditions in their factories and to provide health and safety assurances. Chinese enterprises also face more and more pressure from foreign buyers over labor conditions and overtime

under the SA8000 standard of Social Accountability International. In addition to these conditions, the ISO9000 / 9001 standard for management, ISO14000 standard for environment, OHSMS18000 standard for occupational health play an important part in improving the Corporate Social Responsibility of the enterprises in China.

The enterprises in Development Zones also face these standards, but they seem to be at the frontier. Take the ETDZs as an example; 23 of these passed the ISO9001 authentication and 34 passed the ISO14000 authentication by 2005. Within all ETDZS, 1244 enterprises passed the ISO14000 authentication in 2005 and 1,032 of them are located in eastern China. Today, China has initiated to set up its own standard of CSR within some Development Zones (See Box 2).

Box 2 Standard of Corporation Social Responsibility in Tianjin ETDZ

Labor Management: pay salary and social security legally, on time and sufficiently; no fatal labor disputes; no compulsive labor or converted compulsive labor in any form and execute the national regulation of working hour strictly.

Labor Relation: respect the right of employees to set up / attend worker organizations and set up worker organizations legally; set up the institution of collective negotiation and contact with worker organization; set up scientific and reasonable rules of salary increase through salary negotiation and make the salary of employees competitive in the industry; provide sufficient training to employees.

Safety and Health: set up occupational safety, health environment system; efficient institution of safe production responsibility of; no fatal accident of production safety and occupational disease.

Environment Protection pay attention to environment protection; prevent environment pollution accidents.

Public Welfare take part in public welfare affairs actively and support vulnerable groups

Source: Yingqing Liu, "Tianjin ETDZ Set up Award for Corporation Social Responsibility", *Beifang Jingji Shibao* (Northern Economic Times), Jan 15th, 2007, <http://www.bfjjsb.com>.

In fact, the CSR was directly related to China's strategy of "Building Harmonious Society". This strategy aimed to set up a fairer society that can provide more economic and social security to all people. The harmonious society strategy also provided higher standards on CSR among FFEs inside or outside Development Zones. On March 27th, 2006, 65 of the largest FFEs in China, which are members of the Executive Committee of Foreign Investment Companies (ECFIC) signed a declaration (see Box 3) on CSR in an effort to support the strategy¹⁸.

¹⁸ The practice of CSR has just begun in China and whether this strategy actually works or not is still needed to be checked.

Box 3 ECFIC Beijing Declaration on Corporate Social Responsibilities

As corporate citizens in China, foreign investment companies pledge to undertake our social duties and fulfill our social responsibilities. We hereby solemnly declare our solid commitment to the following activities:

- (1) Abide strictly by Chinese laws
- (2) Discipline corporate conducts, promote social ethics and observe the value of credibility
- (3) Fulfill tax duties according to law
- (4) Provide the public with both qualified and quality product, and top-notch customer service
- (5) Protect Intellectual Property Right, prohibit the use of IPR infringing product, observe copyright, patent right and the right to trademarks, and promote legal use of software
- (6) Create opportunities for employment and career development for local communities
- (7) Protect the legal rights of employees
- (8) Contribute to building an energy efficient society through effectively reducing energy consumption in production, delivering energy saving products and undertaking corporate duties as well as fulfilling corporate responsibilities in the field of environmental protection and resource recycling
- (9) Participate vigorously in social welfare endeavors, including disaster relief, environmental protection, education, culture, sports and health care
- (10) Assure timely, accurate and objective disclosure of relative corporate information to the society, shareholders, consumers and all related individuals and organizations according to law
- (11) Act as paradigms that promote active participation by other companies in CSR activities
- (12) Act as credible corporate citizens and seek harmony and common prosperity with the local nation/region and the local society

Companies signed this Declaration also agree to set up internal organizations for CSR promotion and coordination to fulfill the commitment they made in this Declaration.

V. Conclusions and Areas for Future Research

This survey provides a general overview of the EPZs in China. The national and provincial Development Zones have played an important role in the Chinese economy and are regarded as the engine of growth in the regions. Despite their limited area, they have greatly contributed to FDI inflows and trade, especially the processing trade and high-tech exports, together with industrial output and GDP. They also account for the bulk of employment provided by China's foreign funded enterprises. The social impact of EPZs in China appears to vary across different fields from wage levels, informal and female employment, labor training and skill upgrading, the setting up of worker organizations to Corporation Social Responsibility. The overall social effects of EPZs in the China are likely to be positive.

However, most existing literature and statistics from official and academic sources focus on the economic impact of EPZs in China. Even though, relevant information and data are aggregate. Little is available for comparison of export production inside and outside the EPZs and compare the production activity inside and outside various Zones. The regional differences of EPZs are still not clear either. Comprehensive analysis of the social impact of EPZs, especially empirical analysis, is very rare mainly due to the lack of detailed data and information on the EPZs in China. Most of the current observations of the social conditions of EPZs can only be found in non-official publications. These reports provide some interesting information, but cannot

bring a comprehensive and systematic view of the working conditions, labor rights and social dialogue in the EPZs in China.

No systematic comparative research has been done on the differences in wage level, labour productivity, workforce composition, skill level and skills upgrading between firms inside and outside the EPZs. No systematic comparative research has been done about management practices, especially human resource management practices, between firms inside and outside the EPZs. Little is known on how the workers are recruited? How is their job descriptions decided? How are the workers motivated and monitored? How are the remunerations decided for the workers and the managers? Have the workers been trained and how and to what extent? Is there any modern human resource management practices introduced with respect to empowerment, team working, flexible work time, better communication and equal opportunity? Also no systematic comparative research has been done on working conditions, labour rights, social dialogue and corporate social responsibility of the exporting firms inside and outside the EPZs. Surveys of export production activities at firm and employee levels in and outside the EPZs of China are necessary for comprehensive and rigorous research on the social and economic impact of EPZs in China.

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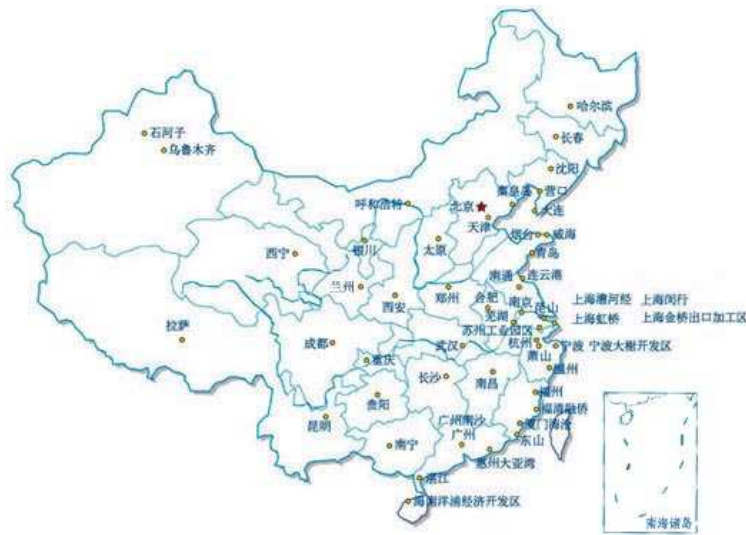
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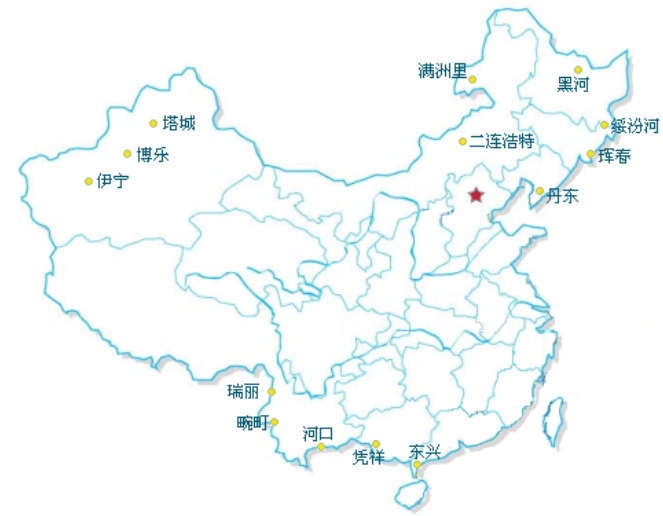
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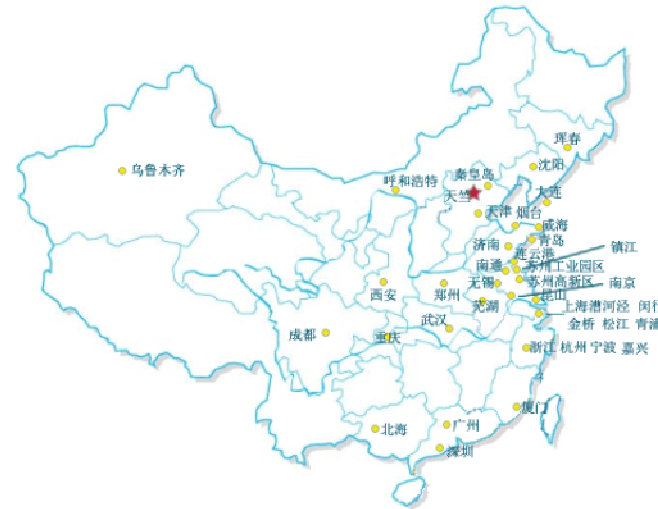
Economic & Technology Development Zones



Border Economic Cooperation Zones



Bounded Zones



Export Processing Zones

Annex I Distribution of China's Development Zones

Source: China Association of Development Zone, <http://www.cadz.org.cn/>.

Annex II China's Industrial Catalog

06	Mining and Washing of Coal
07	Extraction of Petroleum and Natural Gas
08	Mining and Processing of Ferrous Metal Ores
09	Mining and Processing of Non-Ferrous Metal Ores
10	Mining and Processing of Nonmetal Ores
11	Mining of Other Ores
13	Processing of Food from Agricultural Products
14	Manufacture of Foods
15	Manufacture of Beverages
16	Manufacture of Tobacco
17	Manufacture of Textile
18	Manufacture of Textile Wearing Apparel, Footware, and Caps
19	Manufacture of Leather, Fur, Feather and Related Products
20	Processing of Timber, Manufacture of Wood, Bamboo, Rattan, Palm, and Straw Products
21	Manufacture of Furniture
22	Manufacture of Paper and Paper Products
23	Printing, Reproduction of Recording Media
24	Manufacture of Articles for Culture, Education and Sport Activity
25	Processing of Petroleum, Coking, Processing of Nuclear Fuel
26	Manufacture of Raw Chemical Materials and Chemical Products
27	Manufacture of Medicines
28	Manufacture of Chemical Fibers
29	Manufacture of Rubber
30	Manufacture of Plastics
31	Manufacture of Non-metallic Mineral Products
32	Smelting and Pressing of Ferrous Metals
33	Smelting and Pressing of Non-ferrous Metals
34	Manufacture of Metal Products
35	Manufacture of General Purpose Machinery
36	Manufacture of Special Purpose Machinery
37	Manufacture of Transport Equipment
40	Manufacture of Electrical Machinery and Equipment
41	Manufacture of Communication Equipment, Computers and Other Electronic Equipment
42	Manufacture of Measuring Instruments and Machinery for Cultural Activity and Office Work
43	Manufacture of Artwork and Other Manufacturing
44	Production and Distribution of Electric Power and Heat Power
45	Production and Distribution of Gas
46	Production and Distribution of Water

Annex III Literature Review Methodology

Database Scope:

English:

EBSCO Academic Search Premier

JSTOR Arts and Sciences Collection

Oxford Journals Online

ScienceDirect Economics, Econometrics & Finance Backfile

Chinese:

China Academic Journals - Economics/Politics/Law

Including core Journal: Jingji Yanjiu (Economy Study), Shijie Jingji (World Economy), Guoji Maoyi Wenti (International Trade Issue), Duiwai Maoyi Lilun yu Shijian (Foreign Trade Theory and Practice), Laodong Yanjiu (Labor Study), Shijie Jingji Yanjiu (World Economy Study), Guoji Jingji Pinglun (International Economic Review).

Key Words:

China + FDI + Employment

China + Trade + Employment

China + Export Processing Zone,

China + Development Zone,

China + Special Economic Zone.

Search results from the above academic sources are supplemented by

- * Information from intergovernmental sources like the ILO, World Bank, UNIDO
- * Information from trade unions
- * Information from credible non-governmental organizations.