

Building Engines for Growth and Competitiveness in China

*Experience with Special Economic Zones
and Industrial Clusters*

Douglas Zhihua Zeng
Editor



THE WORLD BANK
Washington, D.C.

Contents

<i>Foreword</i>	<i>xiii</i>
<i>Acknowledgments</i>	<i>xv</i>
<i>Abbreviations</i>	<i>xvii</i>
<i>Currency</i>	<i>xviii</i>
Chapter 1	How Do Special Economic Zones and Industrial Clusters Drive China's Rapid Development? 1
	<i>Douglas Zhihua Zeng</i>
	Terms and Definitions 4
	SEZs and Clusters: "Top-Down" versus "Bottom-Up"? 6
	Special Economic Zones in China:
	A Testing Lab for the Market Economy 8
	Industrial Clusters in China:
	A Competitive Engine for the Local Economy 24
	Reflections on the Experiences of China's
	SEZs and Industrial Clusters 36
	Challenges to the Sustainable Development of
	China's SEZs and Industrial Clusters 39
	Policy Implications 42

	Conclusion	45
	Annex A	46
	Annex B	47
	Notes	48
	Bibliography	49
Chapter 2	China's First Special Economic Zone: The Case of Shenzhen	55
	<i>Yiming Yuan, Hongyi Guo, Hongfei Xu, Weiqi Li, Shanshan Luo, Haiqing Lin, and Yuan Yuan</i>	
	Background on the Shenzhen SEZ	56
	Development Achievements	58
	Development Stages	66
	Roles of the Government	72
	Preferential Policies	77
	Key Experiences	80
	Challenges and Recommendations	81
	Notes	85
	Bibliography	86
Chapter 3	A Case Study of Tianjin Economic– Technological Development Area	87
	<i>Xiaoxi Li, Ruijun Duan, and Huanzhao Zhang</i>	
	TEDA's Accomplishments	88
	Background on TEDA	96
	The Role of Government in the Construction of TEDA	101
	TEDA's Preferential Tax and Fiscal Policies	106
	TEDA's Success	109
	Challenges Faced by TEDA	113
	Lessons Learned from TEDA	117
	Notes	120
	Bibliography	120
Chapter 4	From County-Level to State-Level Special Economic Zone: The Case of the Kunshan Economic and Technological Development Zone	123
	<i>Jianming Wang and Ming Hu</i>	

	The Major Achievements of KETD	125
	Background and History of KETD's Development	128
	Preferential Policies for Foreign-Funded Enterprises	135
	The Essential Experiences of KETD's Development	139
	Challenges and Some Policy Suggestions	145
	Conclusions	149
	Bibliography	149
Chapter 5	Industrial Clustering in China: The Case of the Wenzhou Footwear Sector	151
	<i>Jici Wang</i>	
	Overview of the Chinese Footwear Industry	152
	The Formation of the Wenzhou Footwear Industry	156
	The Structure of the Wenzhou Footwear Cluster	160
	Success Factors and Challenges of the Wenzhou Footwear Manufacturing Cluster	166
	Independent Innovation: The Road to Upgrading	175
	Policy Suggestions for Upgrading the Footwear Industry in Wenzhou	176
	Notes	178
	Bibliography	178
Chapter 6	Cluster Development and the Role of Government: The Case of Xiqiao Textile Cluster in Guangdong	181
	<i>Jun Wang and Fangmin Yue</i>	
	An Overview of Industrial Cluster Development in China	182
	Outline of Industrial Cluster Development in Guangdong	187
	A Typical Textile Cluster in Xiqiao Town	195
	Role of Government, Policy Instruments, and Their Implementation	201

Evaluation of Government Policy and the Xiqiao Textile Cluster	209
Discussion, Conclusion, and Policy Implications	215
Notes	218
Bibliography	219
Index	223