Study on the construction of overseas economic and trade cooperation Zone under production capacity cooperation in Jiangsu Province

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Abstract. Jiangsu is a big province in foreign trade and foreign direct investment, and its total volume ranks among the top among provincial administrative units in China. "Park economy" is an important name card of economic development in Jiangsu Province, and overseas economic and trade cooperation zone is one of the important and effective ways of production capacity cooperation. With the development of The Times, Jiangsu Province has made a series of achievements in the construction of overseas economic and trade cooperation zone, but it is followed by the emergence of various problems. This paper expounds the status quo of the overseas economic and trade cooperation zone and its advantages, analyzes the existing problems, and puts forward suggestions for the government to establish investment service institutions, promote the sustainable development of the overseas economic and trade cooperation zone, and improve the added value of the products of the overseas economic and trade cooperation zone.

Keywords: Production capacity cooperation; Overseas economic and trade cooperation zone; Park economy; Smiling curve.

1. Introduction

Production capacity cooperation, a concept first proposed by Premier Li Keqiang during his visit to Kazakhstan in 2014, aims to seize the favorable opportunity to promote international cooperation in production capacity and equipment manufacturing and realize China's participation in globalization. Production capacity cooperation between China and other countries will help the two sides align production capacity and draw on each other's strengths. It will not only accelerate the industrialization of the partner countries, but also help transform and upgrade China's industries, which will bring mutual benefit to both sides. To this end, The State Council has put forward the Guiding Opinions on Promoting International Cooperation on Production Capacity and Equipment Manufacturing, which clearly points out that production capacity cooperation refers to the cross-border or trans-regional cooperation of production capacity supply and demand allocation between two countries or more countries or regions with willingness and need. At present, China's production capacity cooperation is in a state of continuous development. From the perspective of China's direct investment, national data show that China's outbound direct investment flow reached 153.7 billion U.S. dollars in 2020, an increase of 12.27% compared with 2019. According to the 2021 World Investment Report released by the United Nations Organization of Trade and Development (UNCTAD). In 2020, the global flow of foreign direct investment (FDI) was $1 trillion, down 35% year on year, ranking first in the world for the first time, and accounting for more than 10% of the global flow for five consecutive years. China became the world's largest outbound investor for the first time, reaching a record high. In addition, by the end of 2020, China's OFDI stock reached US $2.58 trillion, ranking third in the world. The stock accounted for 6.6% of the world's share, 0.2 percentage points higher than that of the previous year, which indicates that China's influence in global FDI continues to expand, and China's two-way investment was basically flat in 2020, indicating that China has realized the synchronous development of introducing and going global. By the end of 2020, China's 28,000 domestic investors had set up 45,000 OFDI enterprises in 189 countries (regions), with Chinese investment in more than 80% of the world's countries (regions). By the end of the year, the total assets of overseas enterprises reached US $7.9 trillion. China's OFDI covers 18 sectors of the national economy, with nearly 70% of the investment going to leasing and business services, manufacturing, wholesale and retail, and
finance, with the flow of the four sectors all exceeding 10 billion US dollars. In 2020, China's production capacity cooperation has achieved a series of achievements: Overseas Chinese enterprises paid a total of 44.5 billion US dollars in taxes to the countries and regions where they invested, and employed 2.188 million foreign employees, accounting for 60.6% of the total number of overseas enterprises. Outbound investment drove US $173.7 billion of domestic exports, accounting for 6.7 percent of China's total exports of goods. Overseas Chinese companies earned $2.4 trillion in sales that year.

The construction of overseas parks in China started at the end of the 20th century. After years of independent exploration by enterprises, in 2006, in order to accelerate the pace of "going out", China began to build overseas parks with the combination of government promotion and enterprise leadership. Overseas industrial parks under production capacity cooperation, namely, overseas economic and trade cooperation zones, refer to Chinese-held enterprises registered in the People's Republic of China (excluding Hong Kong, Macao and Taiwan) with independent legal person status, through Chinese-held independent legal person institutions established abroad, Industrial parks with complete infrastructure, clear leading industries, complete industrial chains, sound public service functions and agglomeration and radiation effects. Currently overseas economic and trade cooperation zone as a new carrier and gripper production cooperation, is a collection of multiple industry project implementation economic area, is the evolution of individual transfer to the cluster transfer capacity, is from overseas investment cooperation to chain cooperation, is one of the excess capacity to transfer mode innovation, also represents China's "going out" on the strength and level of ascension. Foreign economic and trade cooperation zone production capacity in China basically has the following two important meaning of cooperation, first of all, it realizes the transfer of excess capacity, in the past rely on natural resources and environment for the development of the pattern in China is no longer suitable, so China can through the establishment of overseas park, shift China's excess capacity, continues to expand. Secondly, the construction of overseas economic and trade cooperation zones can help China's transfer industries to achieve cluster development. Since most of the cooperation zones carry out unified planning and layout, compared with enterprises going out alone, the cooperation zones have more comfortable business environment, can realize resource sharing, and reduce the investment and operation costs of enterprises. And the industry cluster can realize the whole industry chain development, get a higher return on investment, in addition, foreign economic and trade cooperation zone can reduce capacity to transfer risk coefficient, foreign products to a certain extent, avoid trade barriers, in expanding the scale of foreign trade at the same time reduce the trade friction, and at the same time zone as a whole has a higher voice and bargaining, It can obtain more favorable conditions for the small and medium-sized enterprises to invest abroad. By 2020, overseas economic and trade cooperation zones have invested 47 billion US dollars in total, paid 6 billion US dollars in taxes to host countries and created 380,000 local jobs (Ministry of Commerce of China).

2. Development of Jiangsu Overseas economic and trade cooperation Zone and service production capacity cooperation results

In Jiangsu Province, the park economy is an important engine of its economic development. By 2020, Jiangsu had 26 state-level economic and technological development zones and 17 state-level high-tech zones, both ranking first in China. In addition, Jiangsu Province has more than 100 provincial development zones, more than 20 comprehensive free trade zones and various industrial parks. With less than 2% of the land area, all kinds of parks in Jiangsu have created more than 3/4 of the province's exports and the amount of foreign capital actually used, more than 1/2 of the industrial added value, and more than 1/3 of the gross product and financial income. By virtue of the "agglomeration effect", they have made great contributions to the development of Jiangsu's manufacturing industry and economy.
With the rapid economic development, the industrialization of Jiangsu Province has gradually matured. Coupled with the disappearance of the domestic demographic dividend, the continuous increase of production cost and the gradually prominent problem of overcapacity, it has become more and more important for Jiangsu Province to go global. How to transfer its gradually excess capacity is also an urgent problem to be solved. Therefore, Jiangsu Province makes full use of the opportunity of the country to strengthen the international production capacity cooperation process, takes advantage of its huge economic advantages in the park, actively encourages relevant enterprises to go out, and establishes overseas economic and trade cooperation zones, laying a solid foundation for Jiangsu Province to successfully go out and cooperate with foreign countries.

Now, in the aspect of foreign economic and trade cooperation zone construction in Jiangsu Province has made a series of excellent results: seven outside the park built in six countries, three national foreign trade and economic cooperation zones in Jiangsu Province respectively Cambodia Norodom Sihanouk Port Economic zone, Ethiopia East Industrial Park, China, the united Arab emirates (UAE) capacity cooperation demonstration garden; The four provincial-level overseas economic and trade cooperation zones are Indonesia East Kalimantan Agricultural and Trade Economic Cooperation Zone, Tanzania Jiangsu-Xinyangga Agricultural and Trade Modern Industrial Park, Indonesia Kedah Agriculture and Forestry Ecological Industrial Park, and Xugong Brazil Industrial Park. By the first section of 2021, the seven overseas parks have accumulated investment of US $2.79 billion, 325 enterprises have entered the zone, the total output value is US $4.93 billion, and the taxes and fees paid to the host country are US $170 million, creating about 50,000 local jobs. It can be said that the overseas parks provide a fulcrum for Jiangsu enterprises to optimize the allocation of global resources and jointly explore the "Belt and Road" market, and also play a positive role in promoting the industrial upgrading and economic and social development of countries along the "Belt and Road".

Due to its rich experience in park construction, Jiangsu Province has gradually explored two modes of "asset-heavy investment and operation" and "asset-light management and output" by combining with the provincial experience in the construction of overseas cooperation zones.

"Asset-heavy investment operation" mainly includes two types: state-owned enterprises leading and private enterprises leading. The China-Arab States Industrial Capacity Cooperation Demonstration Park is a typical example of state-owned enterprises taking the lead. The China-Arab States Industrial Capacity Cooperation Demonstration Park is a major cooperation project to implement the important consensus reached by leaders of the two countries and jointly build the Belt and Road. At the end of 2016, the National Development and Reform Commission made it clear that Jiangsu Province would take the lead in promoting it. Provincial development and reform commission for this through a series of research, actively push forward the project, provincial state-owned enterprises nakae joint international group in suzhou Industrial Park, jiangning development zone, yangzhou by the open area and haimen by the open area to form the "cooperation overseas investment co., LTD in Jiangsu Province", as a demonstration garden investment main body rapidly promote the implementation of the project. On July 31, 2017, the signing ceremony of the investment agreement of the Demonstration Park was successfully held in Abu Dhabi, and the development and management Company of the Demonstration Park was officially inaugurated. Says it is dominated by state-owned enterprises because, China-arab cooperation demonstration garden capacity investment main body adopts the model of "1 + 4" form, nakae international group is a provincial state-owned enterprises, more than hundreds of countries around the world to carry out the engineering contracting, have many years of experience in overseas development, and four state-level development zone in the park operation, investment promotion and capital introduction has obvious advantages. The joint efforts of all parties and complementary advantages are conducive to the efficient development, construction, operation and management of overseas parks and the provision of quality services for enterprises entering the parks.

Cambodia Sihanoukville Port Special Economic Zone, established in 2008, is the representative of "asset-heavy investment and operation" led by Jiangsu private enterprises. As the main body of the development and construction of the zone, Hongdou Group, the Chinese controlling shareholder, is
fully responsible for it. In 2006 in wuxi city government, under the impetus of the park construction by the bright group, huatai investment home buyers and profit more than three companies are responsible for investment and development group, but all three are difficult to form a consensus, causing the slow progress of its construction, therefore, in 2007, the red bean group in wuxi city, jiangsu province government decided to west Hong Kong to take over, Chinese companies generally has a 85% stake, Cambodian companies hold 15 per cent. As a key private enterprise in Jiangsu Province, Hongdou Group has strong financial strength, and its main business is textile and clothing industry, which has a great demand for developing overseas business. Therefore, in 2008, Hongdou Group combined with the above three private enterprises in Wuxi and started to build overseas cooperation zones by taking advantage of human resources in Southeast Asia. In order to solve the serious shortage of infrastructure in the Xigang Special Zone, Hongdou Group invested a total of 70 million US dollars in the construction of water supply, power supply, road and other infrastructure from 2008 to 2010, so as to ensure that the Special Zone would not be affected by temporary power and water cuts. In 2020, a total of 166 enterprises (institutions) from China, Europe, America and other countries and regions have been introduced to Xigang Special Zone, mainly in textile and clothing, luggage and leather goods, hardware machinery, wood products and so on. The Xigang Special Zone has provided employment for nearly 30,000 local people. More than 70 percent of the nearby townships work in the special Zone with an average annual income of $3,000, which is known as the "golden rice bowl". According to statistics, in recent years, the per capita annual income of Sihanoukville Province is much higher than the national average level of Cambodia. According to the total economic volume, the industrial output value of the West Port Special Zone contributes more than 50% to the economy of Sihanoukville Province, making great contribution to the development of the local and even the whole country. In the future, the Westport Special Zone will attract 300 enterprises and provide 80,000 to 100,000 jobs. Meanwhile, the total import and export volume of enterprises in the area reached US $1.565 billion in 2020, an increase of 26.52% over the same period of the previous year. The two-way trade volume between China and Cambodia reached US $9.56 billion, 8.4 times that of US $1.13 billion in 2008. All these show that as one of the first state-level overseas economic and trade cooperation zones confirmed by the national assessment, the Westport Special Economic Zone has become a model for China-Cambodia production capacity cooperation and won high praise from leaders of the two countries.

The representative of "asset light management export" mode in Jiangsu Province is Oriental Industrial Park in Ethiopia. In June 2016, Jiangsu Provincial Development and Reform Commission and Ethiopia Investment Bureau signed the Memorandum of Cooperation on Promoting International Production Capacity and Equipment Manufacturing, explicitly proposing to "support Kunshan and other development parks with experience and conditions to export management experience to Ethiopia". Kunshan City moved quickly and was invited to conduct training for the managers of the Ethiopian industrial park. In the past two years, two groups of senior executives from Ethiopia Awasa Industrial Park have arrived in Kunshan to learn from the experience and model of Kunshan Development Zone. In April 2017, Kunshan Development Zone sent management personnel to settle in Awasa Industrial Park to participate in the management, and established a one-stop service center, which effectively exported the operation and management mode of Jiangsu Development zone, and was highly recognized by the Ethiopian government and the National Development and Reform Commission. At present, more than 100 enterprises have settled in Dongfeng Industrial Park, attracting foreign companies from Holland, India and other countries. The industries cover footwear and hats, textile and clothing, cement production, metal processing, automobile assembly and so on. The agreed investment is US $900 million, the actual investment is US $640 million, the total output value is US $1 billion, and the total tax paid to the host country is US $82 million. Solve 18,000 employment for the host country. The second phase of construction is about to start, and more than 30 enterprises are waiting to enter the park.
3. Advantages of overseas economic and trade cooperation zone of Jiangsu Province

3.1 The role of an important hub

By establishing economic and trade cooperation zones abroad, Jiangsu Province has provided a relatively stable operating environment for its enterprises to go global. Because a relatively stable business environment can reduce the cost and risk of overseas direct investment by enterprises, overseas cooperation zones will try their best to improve the construction of infrastructure when introducing enterprises to invest, so as to provide a solid foundation for the development of enterprises after they enter. Overseas cooperation zones play a pivotal role between enterprises in the province and the host country, both to connect, provides a stable platform for its exchanges and cooperation, make enterprises more easily into the local production and operation, to promote the local production, coupled with the enterprises to provide local jobs and tax increases, increase of the host country's level of economic development, Therefore, the construction of overseas economic and trade cooperation zone can avoid trade barriers to a certain extent, reduce the occurrence of trade disputes and trade frictions, and enjoy the preferential policies given by the host country. In the face of trade disputes or frictions, overseas economic and trade parks can speak for enterprises as a whole, enhance their negotiation ability, and reduce their business risks to a certain extent. In the face of the sluggish development of the world economy and the rise of anti-globalization, overseas economic and trade parks, as an important hub, The advantage that conglomerates have of facing external risks together is increasingly important.

3.2 With a complete production supply chain

In the face of the disruption of global supply chains caused by COVID-19, China, as the only country with a complete industrial chain, has played an increasingly irreplaceable role in the stability of the epidemic, which also shows the advantages of overseas economic and trade cooperation zones. Different from the direct overseas investment by enterprises, the overseas economic and trade cooperation zone in Jiangsu Province is usually constructed with the goal of establishing a complete production chain. By establishing a complete supporting infrastructure in the host country, the enterprises entering the zone can form a complete production supply chain and obtain scale effect. The integration of the park from a point to an industry will promote the development of the whole region, and realize the coordination and unity of the park development and urban livability.

3.3 Have rich experience in park construction

Park economy can become the important engine of economic development of jiangsu province, from jiangsu province in the construction of campus is the accumulated rich experience, also right to use the experience of jiangsu province, in the construction of foreign trade and economic cooperation zones on the basis of the original foreign trade and economic cooperation zones in jiangsu province was put forward with the combination of outside the truth of innovative construction of "two modes". On August 17, 2017, People's Daily published an article detailing the two models, indicating their great success. The rich experience not only provides reference for the subsequent construction of overseas cooperation zones in Jiangsu Province, but also makes a series of relevant laws and policy systems constantly improve. It is this kind of confidence that makes the construction of overseas cooperation zone in Jiangsu Province push forward continuously.
4. Challenges of economic and trade cooperation zone outside Jiangsu Province

4.1 The output capacity of the overseas economic and trade cooperation zone is homogenous with the host country's industry

According to the statistics of Jiangsu Going-out Comprehensive Service platform, at present, the overseas economic and trade cooperation zones in Jiangsu are mainly distributed in less developed countries, and the dominant industries are mostly traditional manufacturing industries such as textile and clothing, light industry, and many agricultural and trade parks focusing on modern agriculture. As a result, part of the output capacity of Jiangsu highly coincides with the advantageous industries of some host countries, which intensifies the intensity of competition. Overseas industrial park, jiangsu province output of excess capacity, although accords with the basic law of industrial gradient transfer and value choice, but some industry such as textile, food processing industry is also very low barriers to entry, low product added value, the lack of core technology, due to the host country is easy to imitate or other investor also have more similar products, Facing the fierce competition with other countries and the potential competition of the host country, it undoubtedly increases the difficulty for Jiangsu enterprises to quickly occupy the leading position in the industry.

4.2 The layout of overseas economic and trade cooperation zones is not comprehensive enough

Now invest in the construction of jiangsu province seven overseas economic and trade cooperation zone, there are three in southeast Asia, in Africa, the two are distribution in developing countries, while in more developed countries such as Europe, were not concentration is higher, the radiation strength is insufficient, which creates a zone and zone between failed to form effective cross-border industrial chain, various industry much overlap between the cooperation zone, It cannot form a complete value chain system of international production capacity cooperation with Jiangsu Province. At the same time, most of the overseas economic and trade cooperation zones of Jiangsu Province are distributed in Asia and Africa, which also increases the investment cost of enterprises in the early stage. These countries are generally relatively backward, infrastructure construction is not perfect, water supply, electricity supply, gas supply and road transportation is not convenient, so companies before the construction of economic and trade cooperation zone, must first to the improvement of the infrastructure, thus increased the cost of investment, to a certain extent, reduce the enterprise's investment enthusiasm, enterprises will cooperation zone development described as a "short, medium, Long-term profitability "process. In addition, most of the overseas economic and trade cooperation zones are led by private enterprises, whose economic strength and industrial scale are far less than those of state-owned enterprises, so huge investment in the early stage is a difficult problem. And they are indeed facing the problem of financing difficulties. At present, enterprises in overseas economic and trade cooperation zones can borrow money from banks in addition to using funds from their parent companies. Throughout the world, the financing channels in the daily operation of overseas investment enterprises in many countries mainly come from local bank financing, global credit granting, and discount receivable. In contrast, the financing channels of overseas investment enterprises in provincial areas are less. This is also because China's commercial banks have relatively few overseas branches, and it is often difficult for enterprises to meet their financing needs. In addition, it is difficult for enterprises to solve the shortage of funds by means of asset mortgage when their assets are overseas. Compared with international investment enterprises, provincial enterprises do not pay enough attention to the international financing environment, so they do not have strong ability to use international financing. Just as Lu Qiyuan, chairman of Jiangsu Yongyuan Investment Co., LTD., said, overseas financing is very difficult for enterprises. The total investment in the first phase of the Oriental Industrial Park in Ethiopia is more than 250 million US dollars, and the total assets are more than 3 billion RMB Yuan.
4.3 The industrial positioning of overseas economic and trade cooperation zone is relatively low

Most of the overseas economic and trade cooperation zones invested by Jiangsu Province are processing and manufacturing industries, mostly agricultural products, textiles, hardware and other processing industries, which belong to the processing of primary products, with low added value and small profit space, and often require a lot of labor. According to the "smile curve" theory: take the industrial chain as the horizontal axis, the product added value as the vertical axis, the curve is concave in the shape of a smile. In the industrial chain, the added value is more reflected in product research and development and sales at both ends of the curve, while the added value of manufacturing and processing is the lowest in the intermediate link. Therefore, the current overseas economic and trade cooperation zone in Jiangsu Province urgently needs to carry out certain industrial transformation and increase the production of higher value-added products to meet the needs of industrial development.

5. Policy suggestions on deepening the construction of overseas industrial cooperation zone under production capacity cooperation

5.1 The government establishes investment service institutions

The government will set up an effective risk assessment and consultation agency to help and support enterprises in overseas investment. At the same time, the government may set up special institutions to provide information consulting services for overseas investment of enterprises to provide information, legal, financial, intellectual property rights and certification services for overseas investment of enterprises. Investment in different host countries will encounter different risks, some of which have great political and legal risks, while others have great economic risks, such as exchange rate, inflation, debt risks, etc. The discrimination of these risks often requires a lot of research and relevant information to find out, so it needs the government to organize. The establishment of a platform that can serve all enterprises investing abroad can not only reduce the investment risk of enterprises, but also provide more rapid and convenient information for their follow-up investment, so as to ensure the efficiency of enterprises investing abroad. Especially for the overseas economic and trade cooperation zone of Jiangsu Province, the relevant service agencies established by the government can collect more accurate information through the cooperation zone and feed it back to the cooperation zone. The two can form an effective double-circulation mode, and the overseas economic and trade cooperation zone of Jiangsu Province can also achieve greater development.

In view of the financing difficulties of enterprises, the imperfect domestic financial market cannot form a financing mechanism for overseas enterprises, so the government needs to speed up the process of establishing perfect financing support and facilitation service system, and provide relatively rich and perfect financing means for enterprises investing in overseas economic and trade cooperation zones. At the same time, strengthen the education of international financing environment for overseas investment enterprises in the province, so as to obtain more international financing means for them.

5.2 Promote sustainable development of overseas economic and trade cooperation zones

From the perspective of economic sustainability, the current profit model of the cooperation zone depends on self-run industry and rent of land and factory buildings. In order to form sustainable economic development, the cooperation zone needs to establish a diversified profit model and transform from focusing on industrial real estate development to whole-industry chain services. According to the industry positioning of different cooperation zones, we will deeply grasp the development characteristics of the industry and the cooperation relationship between the upstream and downstream of the industrial chain, and provide comprehensive service platform for enterprises settled in the cooperation zones, providing consulting, training, information, enterprise incubation,
logistics, human resources, software service outsourcing and other services. At the same time, we will establish a coordinated and orderly production capacity cooperation channel between industrial parks inside and outside the province. At present, the development of the jiangsu provincial park have fully experience, good industrial foundation and environment, perfect integration of industrial chain and park management system, foreign trade and economic cooperation zones and park in the province form linkage, is helpful for the optimization of each other, promote the sustainable development of the park, development zone profit model, build bigger and better with jiangsu characteristics in jiangsu international capacity. At the same time, it is necessary to avoid blindly transferring assets and going to the production capacity of the industrial park in the province, which will lead to the "emptiness" of the industrial park in the province. Environmentally sustainable point of view, the current environmental protection have become the common concern of the international community, in the foreign investment, the start of the vulgar economy is no longer suitable for today's world, the need to pay more attention to the environmental protection of enterprises "going out", must set up respecting nature, comply with the nature, protect the natural ecological civilization concept. From the perspective of social sustainability, the construction of cooperative district should realize people-to-people communication to achieve mutual benefit and win-win, and the cooperative district should actively assume social responsibilities and form a good social interaction relationship inside and outside the cooperative district, which is not only conducive to attract and retain local employees, avoid conflicts, but also improve the living environment of the cooperative district. The localization strategy should be adopted in the operation of overseas enterprises. On the one hand, more local employees should be employed, and on the other hand, procurement should be localized as far as possible. Overseas enterprises must pay attention to building their own good "public image" in the local, clear public relations strategy for the country where the investment is made, not only responsible for the profits of the enterprise, but also responsible for the local environment, and assume corresponding social responsibilities.

5.3 Increase the added value of products in overseas economic and trade cooperation zones

First of all, enterprises in the overseas economic and trade cooperation zone should change their management concepts, look at the international market, and implement product differentiation while ensuring product quality. In the era of knowledge economy, it is inevitable that innovative products can occupy the international market for a long time. Innovation can be reflected in many aspects of product production, such as product variety, function, product appearance and after-sales service. Enterprises can improve the added value of products through these innovations. Secondly, the overseas economic and trade cooperation zone can introduce some industrial chains with higher added value on the original basis. For example, according to the "smile curve", the sales of products belong to the link with high added value, so the zone can set up a special sales organization to be responsible for the sales of products in the zone and form a one-stop service of sales and after-sales. It is also possible to establish a brand of overseas economic and trade cooperation zone to improve its international visibility. In addition, Jiangsu characteristics and individual characteristics must be highlighted. For example, the main characteristics of the cooperation zone should be effectively combined with other professional overseas cooperation zones, so that the industrial integration degree of the cooperation zone will be higher, and the industrial advantages of the enterprises in the park will be more obvious, so as to further catalyze the spillover of comparative advantages and the fusion effect of overseas resources.

References


