

# The Enlightenment of the Practice of Cross-border Economic Cooperation Zones in Domestic and Abroad on the Construction of Yunnan Cross-border Economic Cooperation Zone

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**Abstract**—Establishing cross-border economic cooperation zone is an important way for Yunnan to integrate into the national "one belt and one way" construction actively. By summing up the practice of cross-border economic cooperation zones in domestic and abroad, it will provide useful experiences and enlightenment for the construction of Yunnan Cross-Border Economic Cooperation Zone. This paper uses normative analysis, empirical analysis and systematic analysis. Through the research, five experiences of healthy and orderly development of Yunnan Cross-border Economic Cooperation Zone are drawn for reference: (1) Hardware facilities are the basic guarantee; (2) Local government is the main body; (3) Complete system and organization construction are the strong guarantee; (4) Multilevel and flexible communication and coordination mechanism should be established; (5) Policy support system should be improved to mobilize the enthusiasm of all parties to participate.

**Keywords**—Cross-border Economic Cooperation Zone; Yunnan; Enlightenment

## I. INTRODUCTION

With the acceleration of economic globalization and regional economic integration, economic cooperation in border areas has received more and more attention due to the geographical and cultural proximity between neighboring countries. The functions of the border between countries have changed. The functions of territorial division and sovereignty have weakened gradually, and the economic functions have strengthened gradually. The areas on both sides of the border have increasingly become the frontiers of economic development and the hot spots of regional economic cooperation. Border areas have the advantage of being close to external markets. Neighbouring countries can take advantage of this advantage to eliminate barriers to trade and investment through integration reform and promote the rapid economic development of border areas. Under this trend and background, cross-border economic cooperation zones emerge [1-3].

Cross-border economic cooperation zone, as a new mode to enhance the level of opening up along the border and accelerate the development of border areas. On the one hand, it makes regional economic integration develop into a new form of

regional economic cooperation and accelerate the process of integration. On the other hand, the establishment of cross-border economic cooperation zones is adapted to the needs of regional economic cooperation development, and constantly explored and created in the process of practice. As a "pilot zone" and "demonstration zone", it has accumulated useful and valuable experience for deepening regional economic cooperation and promoting regional economic integration and accelerating development.

## II. INTERPRETATION OF CROSS—BORDER ECONOMIC COOPERATION ZONE

### A. Concept

It refers to the delimitation of specific areas near the borders of the two countries, endowing the region with special fiscal, taxation, investment and trade, and supporting industrial policies, and carrying out special supervision of cross-border customs in some areas of the region, attracting various factors of production such as human flow, logistics, capital flow, technology flow and information flow to gather here, so as to accelerate the development of the region, and then driving the surrounding areas through the radiation effect. It is manifested in the sub-regional economic cooperation zones along the border areas [4], which are jointly promoted by two or more governments and enjoy preferential policies such as export processing zones, bonded zones and free trade zones. Cross-border economic cooperation zone adopts special economic policies recognized by both countries, aiming at making full use of the resources and markets of two or more countries, giving full play to the advantages of cross-border economic cooperation zones to drive the pace of economic development of relevant regions.

From a geographical point of view, cross-border economic cooperation zone generally refers to the inland border areas of neighboring countries in spatial location, mainly including port cities and hinterland areas in the border areas. As far as the main body of cooperation is concerned, the construction of cross-border economic cooperation zone needs to be authorized by the governments of both sides at all levels, dominated by the central or local governments, and made corresponding

institutional arrangements through mutual coordination to ensure their normal operation. As specific undertakers of economic activities, enterprises and border people are the most active participants in cross-border economic cooperation. As far as the motive force of cooperation is concerned, the dependence and economic complementarity of border areas in economic and trade cooperation make all parties have certain comparative advantages and location advantages. The reduction of transaction costs and the expansion of market scale promote enterprises to actively participate in the economic activities in order to achieve the goal of maximizing profits [5-7]. As far as the content of cooperation is concerned, cross-border economic cooperation zone not only has trade and investment cooperation, but also includes many aspects such as labor, technology, tourism and so on. As far as the coordination mechanism is concerned, the cross-border economic cooperation zone needs the coordination of policies, the confirmation of management mode, the convergence of laws and regulations, and all-round cooperation from local governments. At the same time, with the deepening of the cooperation process, the content and form will change accordingly.

#### *B. Basic Characteristics*

##### *1) Established by negotiation and agreement between the two governments*

Cross-border economic cooperation zone not only needs the participation and cooperation of the governments of border areas, but also the appropriate support and cooperation of the governments of neighboring countries on the basis of mutual respect and recognition. Generally speaking, the cross-border economic cooperation zone is established by the two governments through the framework agreement, memorandum of cooperation and other official documents to express their political will to establish the zone, to negotiate and formulate special customs supervision system and preferential policies, and to give local governments the necessary special powers. Border Economic Cooperation Zone (BEZ) is a region set up by open cities along the border to develop border trade and facilitate processing and export. It only needs our government to promulgate relevant policies.

##### *2) Cooperation space is limited to border-specific cross-border areas*

Cross-border economic cooperation zones are established in the border cities of adjacent countries, involving two or more countries, but only a part of the territory of member countries. That is border cities. On the one hand, "one region across two countries" breaks through the boundary between geopolitics and geoeconomy. On the other hand, it will be affected by the political, economic, cultural and social factors of the countries on both sides of the border. It expands the single frontier trade or processing function into a multi-functional comprehensive economic zone integrating trade, processing, logistics, warehousing, exhibition and tourism. It does not need large-scale adjustment of economic policies like regional economic cooperation organizations, but only changes of system in border cities participating in cooperation. It reduces political and economic risks and improves them. Flexibility makes this form of economic cooperation more acceptable and open.

##### *3) Adherence to the principles of openness and non-discrimination*

Different from discriminatory acts outside member countries in regional economic cooperation, the cross-border economic cooperation zones pursue the principles of openness and non-discrimination in practice. This is mainly due to the fact that most of the members participating in cross-border economic cooperation zones are in remote and poor areas. The biggest difficulty in establishing economic cooperation zones is the problem of funds. Because of the relative scarcity of internal resources, this form of economic cooperation has to rely on a large number of external investment. By encouraging other countries or regions to participate in economic cooperation, we can make up for the shortcomings in our own region, transform the self-management model into a common management model, and form an Economic Cooperation Zone of internal and external customs and preferential policies.

##### *4) Special Policies to Support and Facilitate*

In order to achieve the objectives of investment guidance, industrial cultivation, resource agglomeration, first demonstration and effect radiation, special policies have been issued in the fields of finance, taxation, customs supervision, warehousing and logistics to provide support and convenience for cross-border economic cooperation zones. Cross-border economic cooperation zones are comprehensive in terms of preferential policies, while special economic zones and border trade zones or economic cooperation zones are either subject to their domestic characteristics or limited to their trade functions, often enjoy only part of the above preferential policies.

### III. OVERVIEW OF THE RELATED THEORIES OF CROSS— BORDER ECONOMIC COOPERATION

#### *A. Theory of Customs Union*

The theory of customs union was put forward by American economist J•Viner in his book "The Question of Customs Union" published in 1950. It refers to the conclusion of agreements between two or more countries, the establishment of a unified customs territory, the reduction or abolition of tariffs among the contracting parties within the unified customs territory, and the implementation of a common tariff rate and foreign trade policy for imports of goods from countries or regions outside the customs territory.

The effect of customs union can be divided into static effect and dynamic effect. Static effect mainly refers to trade creation effect and trade transfer effect. The dynamic effects mainly include: better allocation of resources; beneficial to obtain professional and scale economic benefits; conducive to the expansion of investment and technological progress.

#### *B. Big Market Theory*

The theory of big market analyses the economic effects brought by regional economic integration from a dynamic point of view. T. Scitovsky is the representative. By establishing a common market, we can expand the market, concentrate more dispersed production on a large scale, make full use of machines, make more specialized and socialized production, make more extensive use of high and new technologies, and compete more fiercely, thus reducing production costs. With

the abolishment of tariffs and other expenses, the price of product sales falls, which leads to the enhancement of purchasing power and the improvement of living standards, and the increase of consumption, which promotes the increase of investment, enters a virtuous circle and promotes the vigorous development of economy.

### *C. Comprehensive Development Strategy Theory*

It was put forward systematically by Boris Sezelki in his book "The Challenges of South-South Cooperation". The theory of comprehensive development strategy holds that economic integration is a development strategy of developing countries, requiring strong common institutions and political will to protect the advantages of less developed countries. Effective government intervention is very important for economic integration. Economic integration of developing countries is an essential factor in transforming the world economy and establishing a new international economic order.

## IV. PRACTICE OF CROSS-BORDER ECONOMIC COOPERATION ZONES IN DOMESTIC AND ABROAD

### *A. Haut-Rhin Cross-border Economic Cooperation Zone*

The most successful cases in all EU border cooperation zones are cross-border cooperation in the Haut-Rhin region adjacent to Germany, France and Switzerland. The main approach of Haut-Rhin Cross-border Economic Cooperation Zone is to promote inter-regional economic and trade cooperation by establishing sound organizations and providing effective policy support. On the one hand, the EU has provided sufficient financial support to the Haut-Rhin region by setting up a special fund for it and strengthening cross-border economic cooperation. Up to now, a series of organizations have been set up in Haut-Rhin region, such as Border Area Service Center, Haut-Rhin Regional Committee Secretariat and Three Kingdoms Engineering School, in order to promote the social and economic development and integration of the border areas, promote the balanced development within the EU region and the integration of the border areas, thus promoting the economic development and social progress of the whole EU region. On the other hand, the EU's management mechanism in cross-border economic cooperation also provides a good guiding framework for cooperation in the Upper Rhine region. Establishing various institutions and organizations in the region to carry out cross-border cooperation with different degrees of cooperation. The European Union has established various formal and informal institutions and organizations in the Upper Rhine region. The field of cooperation has expanded from economy to culture, education, scientific research and social life.

### *B. China-Kazakhstan Horgos International Border Cooperation Center*

China-Kazakhstan Horgos International Border Cooperation Center is the first pilot field of international regional economic cooperation under the framework of the Shanghai Cooperation Organization. It is the first cross-border economic and trade cooperation zone established by China and other countries with a total area of 5.28 square kilometers. Among them, China's region is 3.43 square kilometers and

Kazakhstan's region is 1.85 square kilometers. It started construction in 2006 and was officially closed in April 2012.

The cooperation center implements the mode of "first-line liberalization and second-line supervision". After China and Kazakhstan have completely closed the project land, there will be one entrance and exit for each country. Citizens of the two countries, third-country citizens, stateless citizens, vehicles and materials will enter the common area with valid documents from the two entrances and exits. Chinese citizens can enter the country with a second-generation ID card, a paper passport or a passport, a Hong Kong-Macao passport, and a Taiwan compatriot's return card. In this region, people, vehicles and materials can flow freely across borders.

The main functions of the cooperation center are: trade negotiation, commodity display and sale, warehousing and transportation, hotels and hotels, commercial service facilities, financial services, holding various regional international economic and trade fairs etc. It has increased the functions of education, training, medical and health care.

The State Council has endowed the cooperation center with special policies: first, tax rebates for construction materials and self-use equipment from China and tax exemptions for construction materials and self-use equipment from Kazakhstan, which will attract entrepreneurs who invest in business. Second, each visitor from China can buy 8,000 yuan of legally duty-free goods every day, and each visitor from Kazakhstan can buy 1,500 euros of goods every day. Thirdly, all operators or tourists who enter the area can stay in the area for 30 days at a time and enter the area again after checking out within 30 days, 12 times a year, which can realize long-term residence in the cooperative center.

## V. ENLIGHTENMENT OF THE COOPERATION OF CROSS-BORDER ECONOMIC COOPERATION ZONES IN DOMESTIC AND ABROAD ON YUNNAN'S CROSS-BORDER ECONOMIC COOPERATION ZONES

The construction of cross-border economic cooperation zones should be planned from three dimensions: hardware facilities system, software support system and system guarantee system. Each dimension has different connotations and meanings. Software support system is the operation support of cross-border economic cooperation zones. Convenient customs procedures ensure the operation efficiency of the cooperation zones. Bilateral industrial docking realizes effectively the extension of industrial chains and complementarity of production factors. Trade circulation links provide basic support for the flow of people and logistics in the cooperation zones. Effective financial services solve the worries of enterprises and border people. Institutional safeguard system provides mechanism guarantee for the operation of cross-border economic cooperation zones, and solves the problems of sovereignty transfer, management, supervision and dispute settlement by establishing leadership system, policy support system and communication and coordination mechanism at the institutional level.

#### *A. Hardware Facility System is the Basic Guarantee*

Hardware facilities system is the basic guarantee of cross-border economic cooperation zones. It involves facilities planning and functional layout of physical space. Cross-border commerce and trade are the basis to promote the coordinated development of cross-border logistics, import and export processing, finance, tourism and other industrial chains. It can bring into play the spatial effects of point-to-face and face-to-face support, and realize the optimal allocation of bilateral resources and the rapid development of border economy.

Border areas are far from the economic center of a country, and infrastructure construction is often relatively backward. The main function of frontier ports is "import and export". Whether the passage is smooth and the traffic is convenient will affect the efficiency of customs clearance and trade costs. Smooth customs clearance is the first step to achieve cross-border exchanges of people and goods. The core of customs clearance facilitation is to break through the barriers between various regulatory departments, establish the coordination mechanism of various customs clearance links, and realize information sharing, interconnection and collaborative services. In the process of building cross-border economic cooperation zones in Yunnan, the construction of infrastructure is far from meeting the needs of enterprise investment, so we should further strengthen the construction of infrastructure to promote the rapid and healthy development of cross-border economic cooperation zones.

#### *B. Local governments are the main bodies of cross-border economic cooperation zones*

As cross-border economic cooperation zones are composed of marginal cities far from the centre and occur in remote areas of the country, local governments have become the main stakeholders in cross-border economic cooperation zones. At the same time, only local governments have the best understanding of the situation and can communicate and coordinate in a timely manner in view of some environmental, health and legal problems in cross-border economic cooperation zones.

Local government is the main body of cross-border economic cooperation zones and an important driving force. In the course of the development of cross-border economic cooperation zones, the key issue of success or failure of economic cooperation is who will dominate the leading position of economic cooperation zones and who will manage them. Therefore, the establishment of appropriate inter-governmental coordination mechanism and network construction in border areas is an effective way to achieve economic development and economic cooperation.

#### *C. Complete system and organization construction are strong guarantee*

Cross-border economic cooperation zones are at least across the two countries. Different political systems, legal provisions, economic structures and monetary systems between countries make cross-border cooperation face many difficulties and problems. How to coordinate the differences between countries can be guaranteed through institutional and organizational construction. Smooth trade circulation

mechanism is an important carrier for the prosperity of cross-border economic cooperation zones. In terms of the external circulation environment, the cooperative zone should effectively protect the interests of border people and border trade enterprises and create a safe and stable trading environment by introducing the work programme of border people's mutual market and trade management measures. The multi-level financial service system is the key support for the deep development of cross-border economic cooperation zones. To set up a modern financial system for cross-border cooperative zones, establish financial institutions including commercial banks, insurance institutions, fund trusteeship and settlement banks, serve the investment and financing needs of the cooperative zones effectively, while preventing systemic transnational financial risks.

#### *D. A multi-level and flexible communication and coordination mechanism should be established.*

Cross-border economic cooperation zones suffer from friction inevitably because they involve politics and law among different countries. Therefore, the establishment of a multi-level, flexible communication and coordination mechanism is an important guarantee for the long-term healthy operation of the cooperative zone. At the level of the two governments, regular high-level meetings at and above the provincial level should be held annually to inform the bilateral trade development, actively exchange views, and hold consultations and talks on issues of common concern such as border trade policy, export of resource-based products and planning of cooperative zone parks, so as to create a better institutional environment for the cooperative zone. At the level of the administrative committee of the cooperative zone, through the establishment of the joint working group of the two sides to meet at regular intervals, timely settlement of transactional disputes and specific operational issues arising in the construction of port exchange points and the development of border trade can be achieved. At the level of non-governmental communication, especially at the township level where border ports are located, bilateral township governments in the border areas actively explore information sharing and strengthen cultural exchanges by establishing international friendly cooperative Township relations and national friendly Village-village relations, thus laying the foundation for communication at the local level in the cooperative areas. Coordination mechanisms at different levels set up communication platforms for cross-border economic cooperation zones in terms of general orientation, small details and information interconnection, so as to provide institutionalized guarantees for the proper settlement of disputes and frictions in cooperation zones and the close contacts among economic, trade, technology and personnel.

#### *E. Policy support system should be improved to mobilize all parties' enthusiasm for participation.*

Policy support is an important guiding force for the early construction and long-term prosperity of the cooperative zone. It plays the role of the government as a "tangible hand", creates favorable conditions for the development of the cooperative zone platform, mobilizes the enthusiasm of all parties involved, and stimulates the enthusiasm of enterprises and border people

to participate in the economic and trade exchanges of the cooperative zone.

Because the border area is far from the economic center of a country, the infrastructure is imperfect, the accessibility is poor, and the economic development is backward, we must solve these problems first in order to build cross-border economic cooperation zones. The solution of these problems requires a large amount of funds. Because of poverty and backwardness in border areas, the huge funds needed to build cross-border economic cooperation zones will inevitably need support from other aspects. In support of border people, economic tax relief can greatly stimulate people's enthusiasm to participate in border goods trade. In the support of processing enterprises, by reducing the operating costs of enterprises, import and export processing enterprises are attracted to the cooperative zone to invest in the construction of factories. In terms of tax policy, import tariffs are exempted for machinery, equipment required for production by enterprises entering the region, which are not subject to quotas and licences; preferential policies are given for processing products entering the region in terms of their origin.

## VI. CONCLUSION

The "one belt and one way" strategy is an important strategic layout for China's opening up to the southwest under the new situation, and Yunnan has become one of the provinces with the prominent geographical advantages in the construction of "one belt and one road". As a new mode to promote the opening and development of border areas, the "cross-border economic cooperation zone" enables all kinds of factors to flow freely by promoting the facilitation and liberalization of trade and investment, and ultimately realizes the optimal allocation of resources in the "sub-region" of the border. Yunnan's cross-border economic cooperation zone has been brewing for a long time. It has been proposed to build three large-scale economic cooperation zones. However, due to the lack of policy support at the national level and the lack of overall planning, more substantive progress has not been made. As a new form of regional economic cooperation, cross-border economic cooperation zones have been actively tried by many countries and regions. Through the analysis of the practice of cross-border economic cooperation zones in domestic and abroad, we will provide useful experiences and inspirations for the construction of Yunnan cross border economic cooperation zone from five aspects: hardware facilities, local governments, system and organization construction, communication and coordination mechanism and policy support system. It will help Yunnan take advantage of the "one belt and one way" national strategy, build a take-off platform, and promote Yunnan's construction as a process oriented to South East Asia's radiation center.

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