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# Research on the Reconstruction and Possible Path of Dongguan's Export Industry Chain under the Background of RCEP

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**ABSTRACT**
The implementation and effectiveness of RCEP is conducive to promoting the accelerated free flow of economic factors within the region, and closer cooperation in industrial and supply chains. Due to the differences in the field and depth of industrial cooperation between RECP member countries and Dongguan, the low-end and mid to high-end industries in Dongguan face different risks and challenges in the restructuring of the industrial chain. Faced with the upgrading and transformation of domestic and foreign industries, Dongguan should plan ahead for supply chain optimization and adjustment based on production layout, consolidate and upgrade regional industrial chains with the accumulation rules of origin, focus on advantageous industries to build cross-border industrial chains, and accelerate the development of cross-border industrial agglomeration.

**KEYWORDS**
RCEP industrial chain; industrial agglomeration

## 1 Introduction

RCEP (Regional Comprehensive Economic Partnership) officially came into effect On January 1, 2022, marking the official launch of the world's most populous, largest economic and trade scale, and most promising free trade zone. The RCEP agreement has come into effect, which is of great significance to Dongguan. In 2022, Dongguan's imports and exports to other RCEP member countries amounted to 422.88 billion yuan, accounting for over 30% of the city's total. In 2023, Huangpu Customs issued a total of 16409 RCEP certificates with a total value of 3.349 billion yuan, an increase of 50.38% and 22.43% respectively year-on-year. Enterprises are expected to enjoy tariff preferences of over 36.26 million yuan. Enterprises are expected to enjoy tariff preferences of over 36.26 million yuan. Dongguan has a high degree of openness and close economic and trade cooperation with RCEP member countries. As an important force in the global supply chain and industrial chain economy, Dongguan is standing at a new starting point of "tens of millions of people and trillions of GDP". Its economic structure and industrial chain upstream and downstream are facing new challenges. The formal implementation of RCEP will accelerate the growth of economic and trade exchanges between Dongguan and RCEP member countries.

## 2 Analysis of the impact of RCEP on Dongguan industrial chain system

RCEP effectively promotes the free flow of goods, capital and personnel in the region, and promotes Member States to deepen the division of labor in the international production network and optimize the efficiency of resource allocation, so as to further reconstruct the regional and even global industrial chain and value chain. Currently, the main contradictions in the reconstruction of the RCEP regional value chain are the competition for dominance in the low-end manufacturing value chain between China and some ASEAN countries, as well as the competition for dominance in the high-end manufacturing value chain between China, Japan, and South Korea. As a typical city for industrial transformation and upgrading, Dongguan maintains close relations with ASEAN countries in the field of labor-intensive industries, and also keeps pace with Japan and South Korea in the field of advanced technology.

## 2.1 The industrial competition between China and ASEAN countries is mainly reflected in the field of low-end manufacturing

For example, China has significant competition with Indonesia, Vietnam, and Laos in shoe and textile products, while also having significant competition with Malaysia, Indonesia, the Philippines, Thailand, and Vietnam in food, beverage, and tobacco products. In addition, with the opportunity of Japan and South Korea's industrial transfer and the layout of industrial clusters in Southeast Asia, some ASEAN countries have gradually extended to the field of medium and high-end manufacturing, such as Malaysia and the Philippines in the field of optoelectronic equipment manufacturing, and Thailand's automobile manufacturing production network has formed an industrial cluster effect. The industrial chain layout relationship between Dongguan and ASEAN countries is basically consistent with the national situation. On the one hand, subject to the impact of human cost factors, as well as the role of RCEP tax incentives and the principle of accumulation of origin, Dongguan gradually transferred its industries to ASEAN countries in the fields of furniture manufacturing, clothing and textile production; On the other hand, the development of semiconductor and electronic parts in ASEAN countries has formed direct competition with Dongguan's traditional electronic information industry, which has a certain impact on Dongguan's industrial layout in Southeast Asia.

## 2.2 The competition between China, Japan and South Korea is mainly reflected in the field of medium and high-end manufacturing

The competition between China, Japan and South Korea is mainly reflected in the field of medium and high-end manufacturing, including optoelectronic equipment, machinery manufacturing, chemical manufacturing, transportation, etc. Taking the optoelectronic equipment manufacturing industry as an example, the share of intermediate products flowing into the region from China, Japan and South Korea in 2000 was 26.35%, 21.87% and 37.75%, respectively. At present, the share has gradually increased to 30.60%, 49.61% and 50.81%. The analysis shows that China, Japan and South Korea have a strong competition and cooperation relationship in RCEP, in which the competitive advantages of Japan and South Korea are mainly concentrated in the upstream, while China's competitive advantages are mainly concentrated in the downstream. This differentiated competitive advantage will lay a solid foundation for the stability of trilateral cooperation. At the same time, with the further play of the role of RCEP, the competition in the field of medium and high-end manufacturing will become increasingly prominent in the future. Dongguan's participation in the reconstruction of the regional medium and high-end industrial chain value chain will have both opportunities and challenges.

From the above impact, it can be seen that after the implementation of RCEP, ASEAN's comparative advantage in labor, land and other resources and the agglomeration effect of low-end manufacturing industry have been further amplified. In addition, the impact of Sino-U. S. trade friction, epidemic and other factors, Dongguan's textile and clothing, electronic assembly and other industries have shown a trend of accelerating the transfer to ASEAN. Under the superimposed influence of the benign industrial diffusion environment created by RCEP and the industrial chain security problems caused by the new crown pneumonia epidemic, it is necessary to enhance the adsorption of Dongguan on the industrial chain and prevent more and more manufacturers from driving the high-end industrial chain supply chain to participate in the outward migration and decentralized layout of enterprises.

In terms of high-end industrial chain, with the signing and implementation of RCEP, Dongguan has strengthened cooperation with RCEP member states in the field of investment. However, from the perspective of "supply production", the level of cooperation with Japan and South Korea is not high, which is not conducive to the extension of Japan and South Korea's high-end product industrial chain in Dongguan. It is urgent to speed up the layout, work with Japan and South Korea to build a regional industrial chain in the museum, and boost the upgrading of the industry.

## 3 Reconstruction and possible path of Dongguan regional value chain under RCEP framework

In recent years, with the overall upgrading and transformation of domestic industries, major cities have been striving to build a complete industrial chain as their development goal. Under this pressure, it is very important and urgent for Dongguan to cultivate a high-end value chain with competitive advantages and great development potential. The strategy of focusing on "scientific and technological innovation+Advanced Manufacturing" in the next five years put forward by the 15th Party Congress of Dongguan is the best strategy for realizing the dislocation development between Dongguan and Dawan District cities, and it is the fundamental support for the development advantage of height and quality in Dongguan. Dongguan's economic development has sufficient power, strong toughness and vitality, and has formed a strong advanced manufacturing system and scientific and technological innovation system. The "world factory" is accelerating its butterfly transformation. Next, it will focus on the urban characteristics of "scientific and technological innovation+Advanced Manufacturing", build an important node city of "golden inner bay" in Dawan District, and build a strong city of scientific and technological innovation and manufacturing.

In the new round of international division of labor system, Dongguan's electronic information industry is not only a trump card industry, but also a pillar industry. Around the important components and key materials of the industry's upstream and downstream, such as integrated circuits, semiconductors, screens, batteries, molds and other related industries, Dongguan has gathered a large number of high-quality enterprises and formed a certain scale of industrial clusters. It's of great significance to pay attention to the development of emerging industries from the perspective of top-level design and formulate relevant industrial policies.

Dongguan is an important manufacturing base in China. It always adheres to the background and advantages of the development of the manufacturing industry, forms the dislocation development with other brother cities in Dawan District, the deep integration of scientific and technological innovation and advanced manufacturing, and speeds up the cultivation and growth of new momentum. It is the inevitable choice for Dongguan to resist risks and settle down. At the same time, it should scientifically deal with risks such as industrial spillovers and the acceleration of industrial transfer, plan the optimization and adjustment of the supply chain in advance in combination with the production layout, and further enhance the independent and controllable ability of the supply chain of the industrial chain by using the open market, so as to cope with the possible impact from the international market.

### 3.1 Reconstruction of Dongguan regional value chain and three possible paths

First, consolidate and leapfrog the regional industrial chain with the rule of origin accumulation. The rule of origin accumulation is a feature and highlight of RCEP rule innovation, which can increase the proportion of value components in the region, promote the use of raw materials and intermediate products by producers in the region, and then expand the scale of intra regional trade. As a result, investment activities have become more refined and scientific, mutual investment among Member States has increased, and regional resource chains, production chains, and value chains have been consolidated and promoted, ultimately enhancing the "Stickiness" of regional economic cooperation among Member States. Therefore, enterprises in Dongguan should be encouraged to make better use of the rules of origin accumulation for tariff cost accounting and reduce tariff costs. Efforts should be made to help enterprises strengthen value chain analysis and research, scientifically allocate overseas investment layout, and optimize investment in ASEAN countries according to the rules of origin accumulation.

Second, focus on advantageous industries to build transnational and cross-border industrial chains. Rely on the solid foundation of manufacturing and logistics industry to establish closer economic and trade relations with Japan, South Korea, Australia, New Zealand and ASEAN countries. It can comply with the trend of restructuring the supply chain of the industrial chain in East Asia and the change in the pattern of ASEAN countries accelerating to become RCEP manufacturing bases, focus on electronics, automobiles, green chemicals and digital economy, promote the formulation of standards, joint R&D and innovation, and build a solid and stable industrial chain, supply chain and value chain system with internal and external circulation. The combination of consolidation and expansion and multi-point layout can be adopted to accelerate the transformation and upgrading of traditional industries and promote the development of emerging industries. The closed-loop value chain and supply chain of "China, Japan, South Korea, Australia and New Zealand R&D+ manufacturing in Dongguan+ASEAN market" and "Asean Resources+manufacturing in Dongguan+ Japan, South Korea, Australia and New Zealand market" with the deep participation of all countries can be built to create a sustainable industrial ecology and co-exist with the new development pattern vigorously constructed by Dongguan, which takes the domestic cycle as the main body and promotes both domestic and international cycles.

Third, accelerate the development of cross-border industrial agglomeration. Follow the industrial development idea of "strengthening the leading enterprises, supplementing the chain, and gathering clusters", support and expand leading enterprises and leading enterprises, and gather upstream and downstream small and medium-sized enterprises. We will strengthen collaborative innovation in the industrial chain, focus on serving major industrial chains and key industrial clusters, encourage leading enterprises to "go global" and widely deploy ASEAN countries. Support enterprises to take ASEAN as the main market, optimize the spatial layout of manufacturing industry, and focus on promoting cooperation in ASEAN cross-border electronic information industry chain, cross-border green chemical industry chain, and cross-border characteristic product processing chain. At the same time, we will carry out the optimization and upgrading of industries to supplement the chain and expand the cluster. Guided by the development of industrial clusters, we will promote the development of upstream and downstream industrial chains and collaborative affiliated enterprises, promote the transformation of industrial parks to multi-functional industrial functional zones such as production and services, and build an industrial ecosystem. Enable cross-border industrial parks with digital economy, implement the construction of digital supply chain innovation and application demonstration projects, and create a number of cross-border industrial parks with leading and demonstrative effects.

## 3.2 Experience of Shenzhen and other sister cities in the layout of industrial parks in ASEAN countries

Dongguan has not yet established industrial parks overseas, so it can actively learn from the surrounding and other domestic cities' advanced experience. Next, take Shenzhen and Wuxi as examples to introduce the advanced experience and practice of these two cities' overseas construction

Under the guidance of the government, the overseas economic and trade parks are developed in cooperation with enterprises of the investing countries. Chinese enterprises have begun to explore and build industrial parks overseas since 1998. In 2006, the Ministry of Commerce launched the construction project of overseas economic and trade cooperation zones. The construction principle is "government guidance, enterprise decision-making and market-oriented operation". Enterprises are the main body, business operation is the basis, and the purpose is to promote mutual benefit and win-win results. Therefore, China's overseas economic and trade cooperation zones mainly adopt the construction mode of industrial parks that rely on the investment of leading enterprises, attract Chinese enterprises to settle in, and are supported and promoted by the government.

### 3.2.1 Shenzhen China Vietnam (Shenzhen Haiphong) economic and trade cooperation zone

Shenzhen Vietnam cooperation zone is the first overseas economic and trade cooperation zone in Shenzhen. At present, 32 high-quality manufacturing enterprises have been introduced, with a total investment of more than 470million US dollars and a cumulative output value of more than 1billion US dollars. The organizer of the park, Shenyue company, proposed to build a model of "China headquarters+Vietnam overseas factories", and strengthened the awareness of "one area and multiple parks" coordinated operation with other industrial parks under Shenzhen investment holding to realize effective customer resource sharing. At present, the investment promotion work of the cooperation zone has achieved preliminary results. 20 high-tech enterprises such as Wolong Electric Group, Chinachem (Xiamen) new materials Co., Ltd. and Sanhua intelligent control were successfully introduced. In view of the difficulties encountered by Chinese enterprises in investing abroad, the park provides assistance including avoiding safety risks, legal risks, project risks and cultural risks.

The construction and development mode of the Shenzhen Vietnam cooperation zone is to actively seek and closely rely on the support of the governments of the two countries, follow the market trend, customize high-end industrial parks for overseas high-tech manufacturing enterprises, and catch up from behind. In just five years, this modern park, which has begun to take shape, has become a demonstration platform for Chinese enterprises to "go out" to Vietnam and a benchmark project for the "belt and road" initiative.

### 3.2.2 Wuxi - Sihanouk port special economic zone in Cambodia

The Sihanouk port special economic zone in Cambodia, which was established in 2008, was invested and managed by Wuxi Hongdou Group and jointly developed and constructed by a number of Chinese and Cambodian enterprises. As one of the first batch of National Overseas Economic and trade cooperation zones assessed and confirmed in the country, Xigang special economic zone has become a major landmark project of the "belt and road" construction and a model of practical cooperation between China and Cambodia, which has been highly praised by the leaders of the two countries. By the end of July 2022, 170 enterprises in the "West Port special zone" had entered the park, 6.5 times as many as those in the park a decade ago; Nearly 30000 people are employed, 4.3 times as many as ten years ago.

The construction and development characteristics of the West Port Special Economic Zone: first, the construction led by private enterprises. As the main body of the development and construction of the park, Xigang Special Economic Zone Company is fully responsible by the Chinese controlling shareholder Hongdou Group. In 2008, Hongdou Group, together with three Wuxi private enterprises, Guangming, Huatai and Yiduo, took advantage of the human resources advantages in Southeast Asia to start the construction of overseas parks in Cambodia and gradually grew from scratch. Second, adhere to the concept of mutual benefit and win-win results. In terms of development mode, Cambodia international investment and development group has been incorporated, forming a co construction mode of mutual complementary advantages and win-win cooperation; In terms of development orientation, promote the deep integration of industrial planning with local conditions and development needs; In terms of investment policies, Cambodia should actively strive for full concessions to create a low-cost competitive advantage; In terms of project construction, the first phase is to develop a 5 square kilometer area, cultivate and form textile, machinery, electronics, hardware and other industries, and build a preliminary industrial system. After years of hard work, the company has reached a balance of revenue and expenditure. Third, government level support and promotion. The rapid development of the West Hong Kong SAR benefits from the comprehensive strategic partnership between China and Cambodia and the firm support of governments at all levels. With the formal entry into force of RCEP, it will provide new opportunities for the development of the West Port Special Administrative Region.

## 4 Feasibility analysis of Dongguan's planning and cooperation in the construction of industrial parks in RCEP member countries

### 4.1 Analysis of Dongguan's industrial advantages and investment status

First, the supporting effect of industrial advantages. Dongguan is a world-famous manufacturing base and an important foreign trade and export base in China. Taking advantage of Dongguan's advantageous industries, Dongguan has formed an industrial layout that includes four strategic pillar industries of new generation electronic information, high-end equipment manufacturing, textiles, clothing, shoes and hats, food and beverage, and five strategic emerging industries of software and information services, new materials, new energy, biomedicine and high-end medical devices, semiconductors and integrated circuits. In recent years, Dongguan enterprises have gradually changed from production and processing to the direction of integrating R&D and design, advanced production and manufacturing and brand marketing, realizing the extension at both ends of the industrial "smile curve" and the improvement in the middle. According to the survey of the top 20 Enterprises above Designated Size in various towns and districts, among the top 20 enterprises in Dongguan's actual total export volume in 2021 and the top 20 enterprises in Dongguan's main business income in 2021, industries closely related to "new kinetic energy", such as electronic information technology, high-end equipment manufacturing, biomedicine, and new energy, account for nearly 50%. Relying on Dongguan's current industrial advantages, it has strong industrial relevance to RCEP countries and has the feasibility of cooperation in terms of resource endowment and economic environment.

Second, overseas investment and cooperation experience support. As mentioned above, by 2021, a total of 472 enterprises in Dongguan had invested 597 overseas enterprises in 52 countries and regions around the world, with a total investment of US $2.991 billion. Enterprises' overseas investment and the establishment of overseas production bases are conducive to optimizing resource allocation and improving production capacity worldwide. For example, in 2007, in response to the call of national policies, entropy technology began to enter overseas markets, and made use of product advantages to explore the markets of developed countries, forming an overseas development strategy of "first the United States and Europe, then Latin America, and then Asia and Africa". So far, entropy technology has 39 holding subsidiaries overseas, of which 21 are wholly-owned subsidiaries. At the government level, the Dongguan municipal government and departments have also successively organized enterprises to go abroad for investigation, set up cross-border cooperation industrial parks, overseas Dongguan product exhibition centers, Sino Russian logistics industrial parks, etc., to promote enterprises, especially small and medium-sized enterprises, to promote globalization in an all-round way. In recent years, Dongguan's experience in overseas research, localized market management, internationalization strategy, R&D layout and other aspects provides rich experience support for the next step of establishing an economic and trade cooperation zone in ASEAN.

## 4.2 Exploration and Thinking on the establishment of overseas economic and trade cooperation zone in Dongguan

Under the "going out" strategy, China's overseas construction of economic and trade cooperation zones mainly adopts the mode led by the enterprises of the investing countries. As the construction is still in the exploratory stage, the risk is high, and the participating enterprises are mainly private enterprises with strong strength and adventurous spirit. Taking enterprises as the main body of the industrial chain, based on the cooperation of internal enterprises or intermediary organizations, and taking inter industry technological and economic links as the link to promote inter country industrial integration and capacity cooperation, is currently a more suitable mode for China. Dongguan can refer to the operation experience of this mode in the process of building an overseas economic and trade zone. It can be considered to divide the life cycle of the industrial chain into three stages: the chain building period, the strong chain period and the chain supplement period, and plan the construction path of the enterprise chain of the cooperation zone "connecting points and lines and connecting lines and areas" according to the characteristics of different stages.

Chain building period: clear industrial positioning, leading enterprises first

The construction subject should do a good job in the investment feasibility analysis and investment environment research, scientifically plan the industrial layout, and determine the "chain owner" of the enterprise chain. The industrial parks in which domestic enterprises operate overseas mainly include resource-based economic and trade cooperation zones, processing and manufacturing economic and trade cooperation zones and comprehensive economic and trade cooperation zones. Combined with Dongguan's industrial advantages, we can focus on the construction of processing and manufacturing type economic and trade cooperation zones abroad, introduce leading enterprises with core status, and radiate and extend them based on them, so as to establish a perfect and orderly enterprise chain in the cooperation zone.

Chain replenishment period: vertical extension of enterprise chain

The development focus of the chain replenishment period is to carry out the vertical extension of the enterprise chain around the core enterprises and leading enterprises, and formulate investment strategies according to the development direction of the enterprise chain, recruit and introduce enterprises upstream and downstream of the industrial chain of the core enterprises in the cooperation zone, so as to open up the whole enterprise chain and boost the formation and sustainable development of the core competitiveness of the regional economy. Taking the China

Egypt Suez economic and trade cooperation zone as an example, the most important factor for success is the settlement of China Jushi group through the investment attraction mode of "building a nest to attract Phoenix". The growth pole effect of large enterprises has introduced relevant upstream and downstream enterprises into the park, and improved the industrial chain of the cooperation zone. In recent years, with the rise of Dongguan electronic information industry cluster, more and more local electronic information enterprises have also joined the ranks of overseas factories. Part of the reason is that the overseas layout of large enterprises affects the plans of upstream and downstream enterprises to set up factories overseas.

Strong chain period: horizontal integration of enterprise chain

During the chain replenishment period, the formation and improvement of the enterprise chain enable the upstream and downstream affiliated enterprises to scientifically divide and cooperate, and the adsorption effect and pulling effect of "attracting investment by enterprises" are obvious, so that all links of the limited enterprise chain need the horizontal support of infrastructure, capital, information and other supporting services. How to improve the infrastructure of the park, improve the supporting service ability, and solve the financing problem are the difficulties in the construction of overseas industrial parks. If Dongguan carries out the overseas economic and Trade Zone, it needs to actively improve the infrastructure construction, reduce the infrastructure investment of settled enterprises, establish a standardized park management system, strengthen the park team construction, and provide "one-stop" services such as policy and legal consultation, preferential policy application, investment and financing services, business registration, planning and design consultation, logistics and customs clearance for enterprises in the zone. Due to the lack of advantages of overseas Chinese enterprises in the face of foreign banks, the construction subject of the park should actively build a financial support system, including financial institutions, credit institutions, insurance companies, etc., to jointly build a growth and Incubation Platform for the industry in the cooperation zone.

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