

*Year after Launch of Shanghai FTZ, Three New Zones Set to Open—By staff reporters Lin Jinbing and Wang Xiaoqing*

### Three New Zones Set to Open

- More FTZs would be launched in the province of Guangdong, Fujian and the city of Tianjin, which reflect the central government's desire to provide more policy support to the coastal region to deepen reforms.
- New zones are based on economic hubs in the Pearl River Delta, Yangtze River Delta and Bohai region, respectively, will supplement the Shanghai FTZ.
- Different features of the three FTZs:
  - Guangdong FTZ
    - ◇ It will further enhance the province's cooperation with Hong Kong and Macau, and serve “the 21st Century Maritime Silk Road”, which is intended to connect China with Southeast Asian countries, Africa and Europe.
    - ◇ The Guangdong FTZ will cover around 120 square kilometers in the Nansha District of Guangzhou, the Qianhai District in Shenzhen and the Hengqin District in Zhuhai.
  - Fujian FTZ

It will use its close links with Taiwan to develop cross-strait trade and economic partnerships, and it will focus on producer services and high-end service sectors.
  - Tianjin FTZ

It will play an important role in boosting economic integration of the region encompassing Beijing, Tianjin and Hebei Province, and coordinate with an expected free-trade agreement involving China and South Korea.
- Four zones are expected to compete with each other, and competition means efficiency.

### Experiences and Developments of Shanghai FTZ

- Shanghai zone is being expanded to 120.7 square kilometers.
- Shanghai FTZ has been under close scrutiny since its launch.
- Shanghai FTZ adopted negative lists:
  - In theory it opens more areas to foreign investment and reduces government intervention in business activity.
  - In fact, businesses found difficulties to enter some newer industries not on the negative list because only the central government rather than the FTZ has the authorization to handle these businesses.
  - Companies hope the city's government could improve its governance capacity and professionalism, especially when drafting specific industry standards and guidelines.
  - The Shanghai FTZ slashed the number of items on the list from 190 to 139. The State Council meeting urged the zone's leaders to make more cuts, and further open the services and advanced manufacturing sectors.
- Financial Pilots
  - Financial regulators have approved 51 measures regarding financial reforms in Shanghai FTZ.

<sup>1</sup> <http://www.globaltimes.cn/content/893789.shtml>

➤ Cross-border settlement of the yuan.

- ✧ Money transfers between the accounts and those between the accounts and offshore or non-resident accounts are not subject to the restrictions on cross-border fund flows.
- ✧ By the end of October, 10 Chinese commercial banks joined the pilot and around 7,000 accounts had been opened.

### Policies and Prospects of New FTZs

- The new FTZs will follow the example of Shanghai and adopt the negative list approach.
- The pilot measures for capital account liberalization applied to the Shanghai FTZ will not immediately be expanded to other regions.
- Time was needed to work out sufficient supervision before measures could be expanded.
- It would take a lot time to improve the regulation and the free-trade account system, and assess the performance of reforms.