

China (Shanghai) Pilot Free Trade Zone



China (Shanghai) Pilot Free Trade Zone

- Officially launched on 29 September 2013
- The first of its kind on the Chinese mainland
- Three years to build to meet international standards



China (Shanghai) Pilot Free Trade Zone

- What is FTZ?**
- Why is it now?**
- How is it?**
- What kind of business opportunities lies in the new initiatives?**

China (Shanghai) Pilot Free Trade Zone

1. what is FTZ?

- Designated area**
- Goods registered but not inspected;**
- Free flow of commodities, services, capital and labors**

China (Shanghai) Pilot Free Trade Zone

1. what is FTZ?

- Shannon Free Zone, Ireland**
(Originally established in 1959)

- Colon Free Trade Zone, Republic of Panama**
(in operation since 1948)

China (Shanghai) Pilot Free Trade Zone

1. what is FTZ?

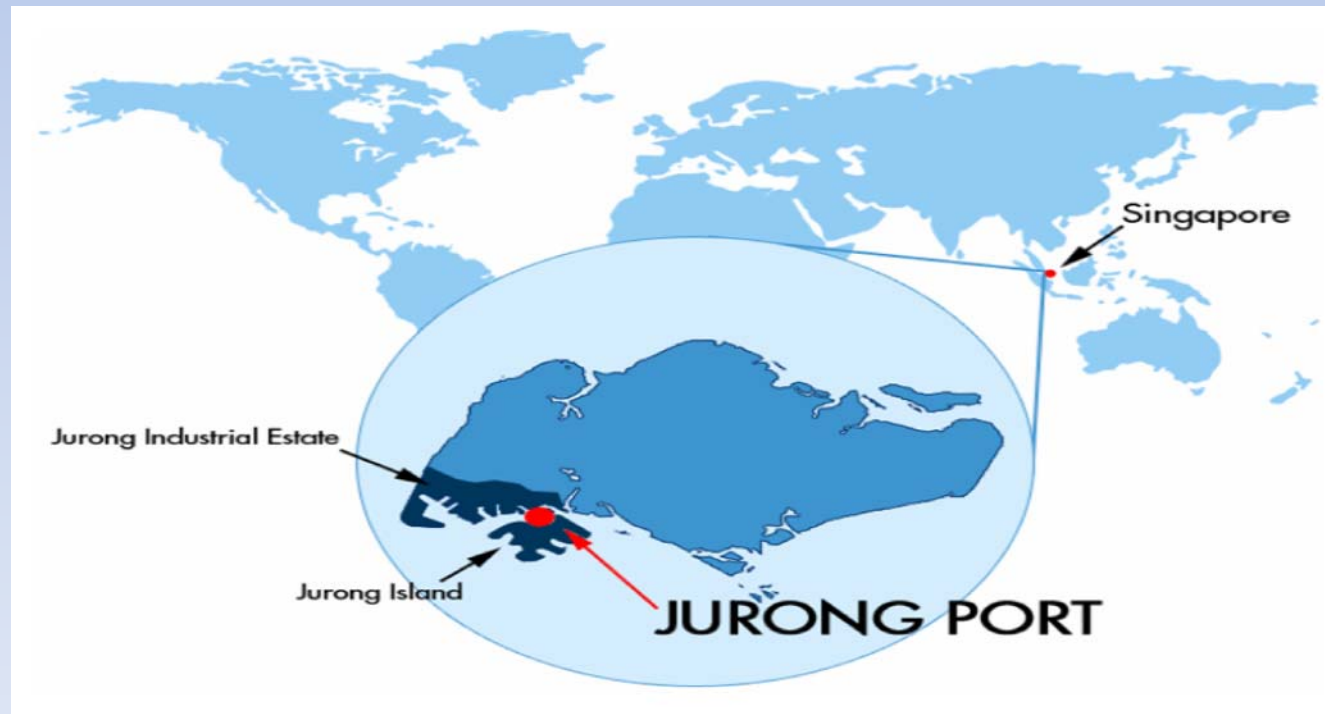
- **Busan-Jinhae Free Economic Zone, South Korea was built 10 years ago.**



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1. what is FTZ?

□ Singapore has nine free trade zones that handle seaborne or airborne cargo such as Brani Terminal and Jurong Port.



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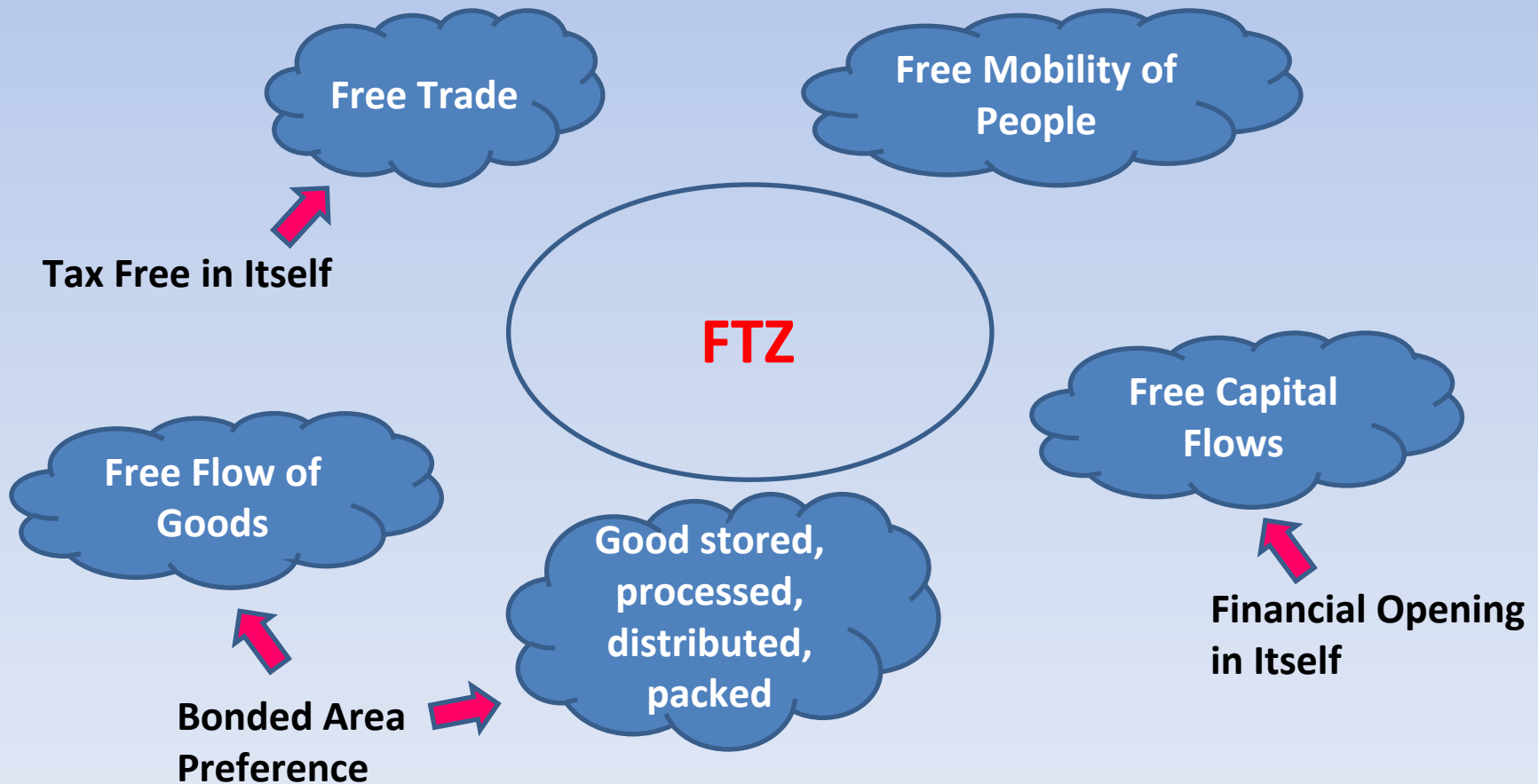
1. what is FTZ?



China (Shanghai) Pilot Free Trade Zone

1. what is FTZ?

FTZ □ an upgrade of bonded free zone.



China (Shanghai) Pilot Free Trade Zone

1. what is FTZ?

The location of Shanghai FTZ and its area coverage

- **Location: outskirts of Shanghai, China**
- **Area: nearly 29-square-kilometer (11-square-mile)**
- **Coverage: Waigaoqiao Free Trade Zone
Waigaoqiao Free Trade Logistics Park
Yangshan Free Trade Port Area
Pudong Airport Comprehensive Free Trade Zone.**

China (Shanghai) Pilot Free Trade Zone

1. what is FTZ?



China (Shanghai) Pilot Free Trade Zone

1. what is FTZ?

How significant is it?

- Testing ground for China's economic and financial reform agenda, including greater capital account convertibility, interest rate liberalization and cross-border uses of the Yuan



China (Shanghai) Pilot Free Trade Zone

1. what is FTZ?

How significant is it?

- Restrictions on foreign investment eased
- Interest rates set by markets



China (Shanghai) Pilot Free Trade Zone

1. what is FTZ?

How significant is it?

- **Clear political message: China is attempting further reform**



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2. Why is it now?

China in critical moment of development.

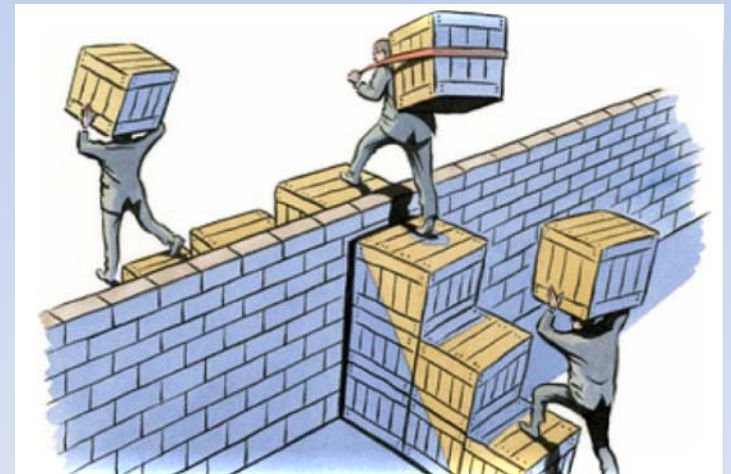
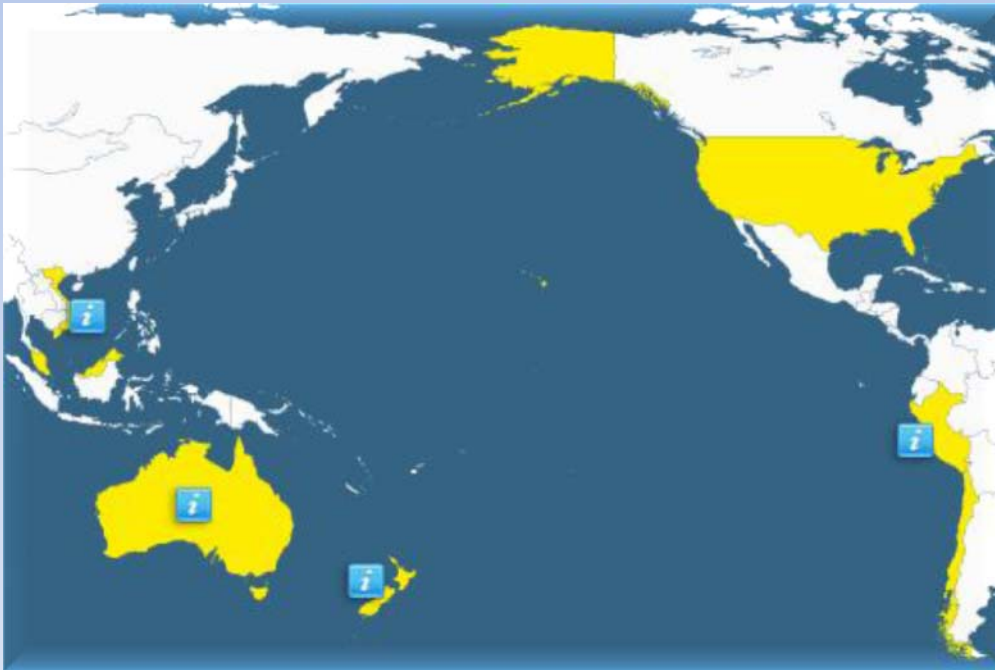
□ Domestically, a critical juncture after 30 years of double-digit growth



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2. Why is it now?

- Overseas, slowing demand and rising trade protectionism



China (Shanghai) Pilot Free Trade Zone

3. How does it work? Legal Framework

1. Overall Plan for China (Shanghai) Pilot Free Trade Zone □ □ □ □ □ □ □

□ □ □ □ □ □ □ □ □ □ □ □

2. Administrative Measures for China (Shanghai) Pilot Free Trade Zone □

China (Shanghai) Pilot Free Trade Zone

3. How does it work? Legal Framework

- 4. Administrative Measures for Filing Foreign-invested Enterprises of China (Shanghai) Pilot Free Trade Zone**
- 5. Administrative Measures for Filing of Overseas Investment Projects of China (Shanghai) Pilot Free Trade Zone**
- 6. Administrative Measures for Filing Foreign-invested Projects of China (Shanghai) Pilot Free Trade Zone**
- 7. Special Management Measures(Negative List) for Foreign Investment Access of China (Shanghai) Pilot Free Trade Zone(2013)**

China (Shanghai) Pilot Free Trade Zone

3. How does it work? New Initiatives ▲

1

▲ Trade liberalization and Promoting the transformation of trade development pattern

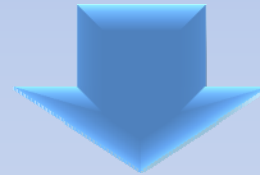


China (Shanghai) Pilot Free Trade Zone

3. How does it work? New Initiatives ▲

2

▲ Easing rules for investment



2.1 Easier investment access and provide support for 18 service sectors

China (Shanghai) Pilot Free Trade Zone

3. How does it work? **New Initiatives** ▲

▲ **Easing rules for investment**

2

2.1-I

Banking services □

- **Foreign-invested banks**
- **Sino-foreign joint venture banks**
- **Chinese banks to conduct offshore business.**

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3. How does it work? **New Initiatives** ▲

▲ **Easing rules for investment**

2

2.1-ii

Professional healthcare medical insurance

- **foreign invested professional healthcare medical insurance institutions**

China (Shanghai) Pilot Free Trade Zone

3. How does it work? **New Initiatives ▲**

▲ Easing rules for investment

2

2.1-iii

Financial leasing

- Single aircraft or single vessel company
- Factoring businesses

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3. How does it work? **New Initiatives** ▲

▲ **Easing rules for investment**

2

2.1-iv

Ocean cargo transportation

- **Joint venture international shipping enterprises.**
- **Passing business of the between Shanghai Port and other domestic coastal ports.**

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3. How does it work? **New Initiatives** ▲

▲ **Easing rules for investment**

2

2.1-v

International ship management

- **Wholly foreign-owned shipping management enterprises.**

China (Shanghai) Pilot Free Trade Zone

3. How does it work? **New Initiatives** ▲

▲ **Easing rules for investment**

2

2.1-vi

Value-added telecommunications

- **Designated value-added telecommunications businesses**

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3. How does it work? **New Initiatives ▲**

▲ Easing rules for investment

2

2.1-vii

- Selling and servicing of game consoles and machines

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3. How does it work? **New Initiatives** ▲

▲ **Easing rules for investment**

2

2.1-viii

Legal services

- **Cooperation between Mainland Chinese law firms and foreign law firms**

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3. How does it work? **New Initiatives** ▲

▲ **Easing rules for investment**

2

2.1-ix

Credit investigation services

- **Foreign-invested investigation enterprises**

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3. How does it work? **New Initiatives** ▲

▲ **Easing rules for investment**

2

2.1-x

Travel agencies

- **Sino-foreign joint venture travel agencies for overseas travel services (except in Taiwan)**

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3. How does it work? **New Initiatives** ▲

▲ **Easing rules for investment**

2

2.1-xi

Human resources agencies

- Sino-foreign joint venture human resources agencies
- Reduced minimum registered capital for foreign human resources agencies

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3. How does it work? **New Initiatives ▲**

▲ Easing rules for investment

2

2.1-xii

Investment management

- Joint stock foreign-invested investment companies

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3. How does it work? **New Initiatives ▲**

▲ Easing rules for investment

2

2.1-xiii

Engineering design

- Performance requirement cancelled

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3. How does it work? **New Initiatives ▲**

▲ Easing rules for investment

2

2.1-xiv

Construction services

- Equity restriction for Sino-foreign joint construction projects cancelled

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3. How does it work? **New Initiatives** ▲

▲ **Easing rules for investment**

2

2.1-xv

Performance brokerage

- **Equity restriction for foreign-invested performance agencies cancelled**
- **Wholly foreign-owned performance agencies**

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3. How does it work? **New Initiatives ▲**

▲ Easing rules for investment

2

2.1-xvi

Entertainment venues

- Wholly foreign-owned entertainment venues

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3. How does it work? **New Initiatives ▲**

▲ **Easing rules for investment**

2

2.1-xvii

Educational and vocational training

- **Sino-foreign cooperation education training institutions**
- **Sino-foreign cooperation vocational training institutions**

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3. How does it work? **New Initiatives ▲**

▲ Easing rules for investment

2

2.1-xviii

Medical service

- Wholly foreign-owned healthcare institutions.

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3. How does it work? **New Initiatives** ▲

▲ **Easing rules for investment**

2

2.2

- **Exploring and establishing a Negative List management pattern.**

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3. How does it work? **New Initiatives** ▲

▲ **Easing rules for investment**

2

2.2

Business banned covers 18 sectors:

A, Agriculture, forestry, animal husbandry and fishery,

B, Mining

C, Manufacturing

D, Production and Supply of Electricity , Heat, Gas and Water

E, Construction

F, Wholesale and Retail

G, Transportation, Warehousing and Mail Business

I, Information transmission, Software and IT Service

J, Financing

China (Shanghai) Pilot Free Trade Zone

3. How does it work? **New Initiatives** ▲

▲ **Easing rules for investment**

2

2.2

Business banned including 18 sectors:

K, Real estate

L, Leasing and Business Services

M, Scientific research and Technological services

N, Water conservancy, Environment and Public facilities management

P, Education

Q, Health and Social Work

R, Culture, Sports and Entertainment

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3. How does it work? **New Initiatives ▲**

▲ Easing rules for investment

2

2.2

Exploring and establishing a Negative List management pattern:

Business areas banned including, among others:

- Salt wholesaling,
- Auctioning cultural relics,
- Air traffic control,
- New websites making,
- Constructing and operating villas,

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3. How does it work? **New Initiatives** ▲

▲ **Easing rules for investment**

2

2.3

Filing-based management approach for overseas investment

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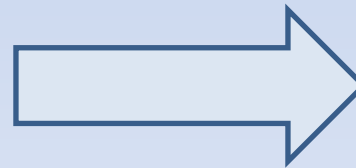
3. How does it work? **New Initiatives** ▲

▲ Streamline government administration

3

● Easier to start operating

29 days



4 days.

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3. How does it work? **New Initiatives** ▲

▲ **Restructure China's financial system in line with international standards**

4

- **Financial-sector changes** □ the heart of the experimentation in FTZ,
- **Easing of restrictions on capital movements and currency exchanges for multinationals**

China (Shanghai) Pilot Free Trade Zone

3. How does it work? **New Initiatives** ▲

▲ **Restructure China's financial system in line with international standards**

▲ **Accelerating finance system innovation** □

- **Trial programs of RMB convertibility under the capital account**
- **Market-oriented interest rates**
- **Cross-border RMB transactions**
- **Financial services opened to eligible financial institution**
- **Foreign companies in commodity futures trading**

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3. How does it work? **New Initiatives** ▲

▲ **Perfect the legal environment**

Relevant approval procedure stipulated in the three foreign-invested enterprise laws adjusted in the FTZ on a three-year trial basis.

China (Shanghai) Pilot Free Trade Zone

3. How does it work? **New Initiatives** ▲

▲ **Perfect the legal environment**

- **Customs supervision simplified**
- **Income taxes by installment**
- **Tax exemption granted**

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4. Any Risk?

1. Policy Balance between in-zone & out-zone



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4. Any Risk?

2. Arbitrage Possibility



China (Shanghai) Pilot Free Trade Zone

4. Any Risk?

3. Need of supporting policies



China (Shanghai) Pilot Free Trade Zone

5. Opportunities for Canadian business

1. Simplifying and speeding up imports & exports



China (Shanghai) Pilot Free Trade Zone

5. Opportunities for Canadian business

2. Foreign companies invest in the sectors where they are not allowed before and in the areas outside the FTZ.



China (Shanghai) Pilot Free Trade Zone

5. Opportunities for Canadian business

3. Foreign banks and firms: foreign-exchange operations and domestic bond market



China (Shanghai) Pilot Free Trade Zone

5. Opportunities for Canadian business

4. Chinese domestic banks, more cooperation with foreign players



China (Shanghai) Pilot Free Trade Zone

5. Opportunities for Canadian business

5. The testing FTZ: far-reaching and long term impact



THANK YOU



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