

# HSC

## SHANGHAI FREE TRADE ZONE



FTZ

Operational Line

# SHANGHAI FREE TRADE ZONE ADMINISTRATION COMMITTEE

## General Issue

Shanghai Free Trade Zones Administration was set up on November 18, 2009, to oversee the coordination among Yangshan Free Trade Port Area, Shanghai Waigaoqiao Free Trade Zone (including Shanghai Waigaoqiao Bonded Logistics Zone) and Shanghai Pudong Airport Free Trade Zone. The administration is working to combine the policy, resources, industrial and functional advantages of the three zones to provide comprehensive service to companies seeking to develop their businesses here.

Shanghai Free Trade Zones oversees five types of areas under the supervision of China's customs, including bonded zone, bonded port area, comprehensive bonded area, bonded logistics zone and export processing zone, offering the most complete, convenient and transparent import and export-related services ranging from customs clearance and supervision, foreign currency management to quarantine inspection in the country.

## Economic policies of SEZs

- Special tax incentives for foreign investments in the SEZs.
- Greater independence on international trade activities.
- Economic characteristics are represented as "4 principles":
- Construction primarily relies on attracting and utilizing foreign capital
- Primary economic forms are Sino-foreign joint ventures and partnerships as well as wholly foreign-owned enterprises
- Products are primarily export-oriented
- Economic activities are primarily driven by market forces

SEZs are listed separately in the national planning (including financial planning) and have province-level authority on economic administration. SEZs local congress and government have legislation authority.

Leong (2012) investigates the role of special economic zones (SEZs) in liberalizing the Chinese and Indian economies and their impact on economic growth. The policy change to a more liberalized economy is identified using SEZ variables as instrumental variables. The results indicate that export and FDI growth have positive and statistically significant effects on economic growth in these countries. The presence of SEZs increases regional growth but increasing the number of SEZs has negligible effect on growth. The key to faster economic growth appears to be a greater pace of liberalization.

## Administrated Zones

The office of the Shanghai Free Trade Zones Administration is located beside the Water Drop Lake in Lingang New City in Pudong New Area.

Yangshan Free Trade Port Area, Shanghai Waigaoqiao Free Trade Zone (including Shanghai Waigaoqiao Bonded Logistics Zone) and Shanghai Pudong Airport Free Trade Zone are like pearls dotted along Shanghai's coastline which stretches more than 100 kilometers along the East China Sea.



## Development

Shanghai Free Trade Zones has combined Yangshan Free Trade Port Area, Shanghai Waigaoqiao Free Trade Zone (including Shanghai Waigaoqiao Bonded Logistics Zone) and Shanghai Pudong Airport Free Trade Zone into one entity. Coordination among the three zones is expected to deliver stable, balanced and fast development. Shanghai Free Trade Zones Administration will seek differentiated development in terms of targets, policy demands and key industries of the three zones.

Shanghai Free Trade Zones is seeking innovative ways to build into a customs supervision sector with free trade function, enabling the companies to run at a lower cost and higher efficiency.

Companies registered in the free trade zones will enjoy more convenient service and resources, and the free trade zones will be optimized and integrated so that the separate regions will co-develop in a better way.

It is expected to become a central functional area for Shanghai as an international shipping center, an important platform as an international trade center and a major breakthrough in building the city into a financial center.

## Major Functions

### Basic Function

**International Trade:** All sorts of trade can be conducted in the free trade zones, including import and export, re-export, offshore trade, service trade, etc.

**Modern Logistics:** A comprehensive logistics service is available in the free trade zones, including warehousing for bonded goods, procurement and distribution, supply chain management, etc.

**Exhibition and Trade:** Merchants can have their bonded cargos and commodities exhibited in the free trade zones and a whole set of services is available for import and export agents, exhibitors and companies' after-sale.

**Research and Development and Manufacturing:** Companies in the free trade zones can carry out manufacturing, software development, research and development of pharmaceutical products and other outsourcing services.

### Innovative Functions

**Financial Leasing:** Besides launching aircrafts and single-vessel leasing projects and other special purpose vehicle leasing projects, other SPV projects will be extended to marine engineering, complete sets of heavy equipment, railway transportation equipment and other areas. We're also seeking to build up an assets securitization and transferring platform, providing high-end shipping financial service.

**Settlement Center for International Trade:** We will simplify foreign currency settlement procedures on the basis of each company's credit record. We'll allow qualified enterprises to open a special foreign currency account to deal with international trade settlement.

**Bonded Futures Settlement:** Bonded cargos can be used as the subject matter for futures contracts in domestic futures transaction platforms.

**International Container Reconsolidation Service:** Cargos that have arrived at Shanghai ports can be sorted and re-packed inside the free trade zones to be distributed as new containers to overseas destinations.



## Traffic Network



# STORAGE

## LOCATION<sub>1/2</sub>



## LOCATION<sub>2/2</sub>



Yangshan Logistics Park  
 Shing Road and sky Road intersection  
 Shanghai high-speed network connection directly via the A2 motorway  
 Double railway container transport hub connected to the national railway network  
 And an important transportation hub distances:

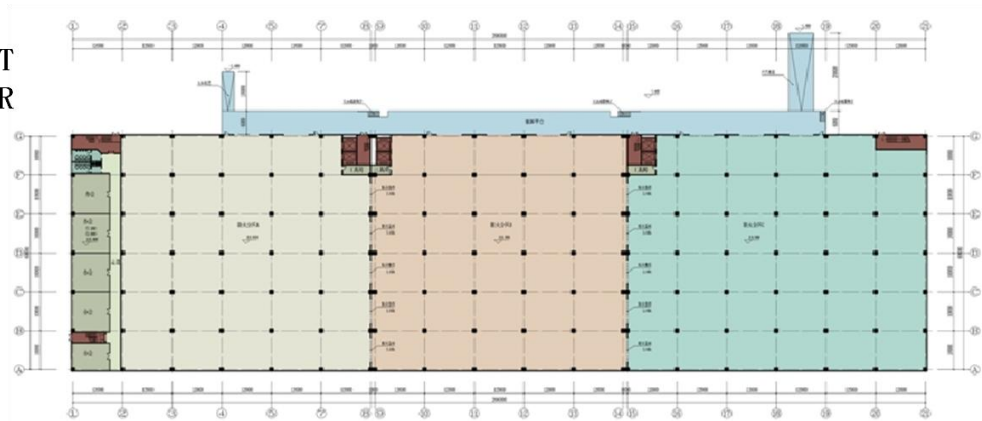
- ✈ PUDONG AIRPORT 25KM
- ✈ PEOPLE SQUARE 70KM
- ✈ HONGQIAO AIRPORT 80KM
- ✈ YANGSHANGANG PIER 40KM
- ✈ WAIGAOQIAO 55KM

## Resources

- DIFFERENT CHOICES: H8.4M (BIG) , H6.3M (SMALL) ,L31.2M.
- BEARING 900KG. MODULAR SHELVING.

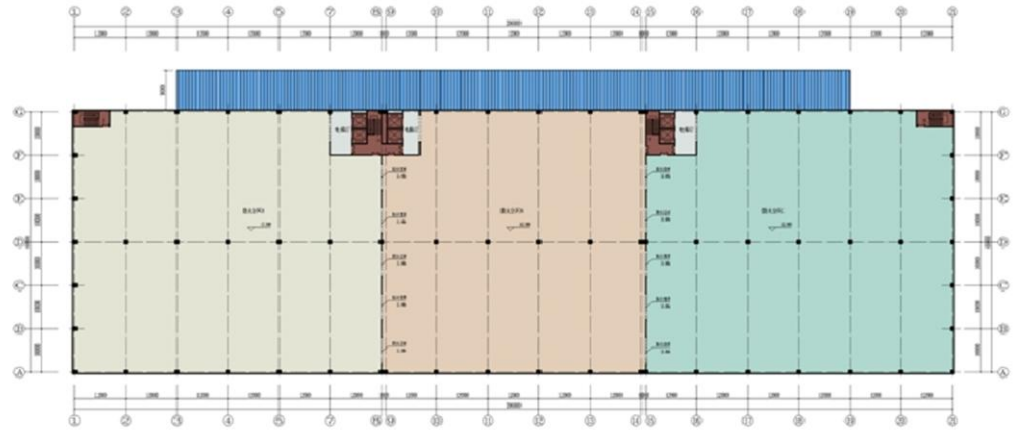


### FIRST FLOOR



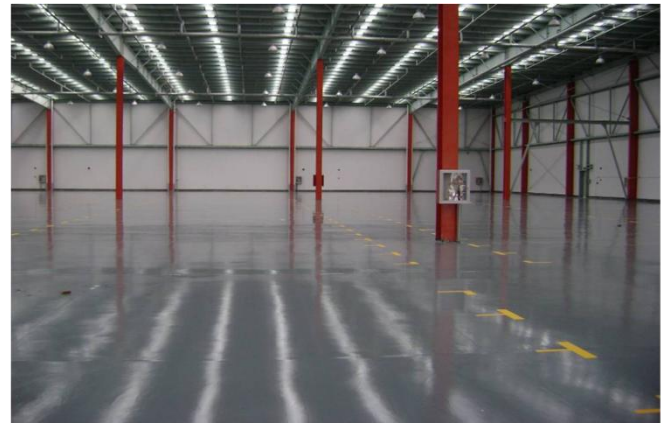
- AREA:  $3600+3600+4300=11500\text{M}^2$
- HIGH: 12M
- Wear resisting, bearing 6 tons / sqm
- Loading and unloading platform: L156 \* W6 \* H1.6 meters, automatic lifting platform 7
- Canopy: L156 \* W9 meters
- Fire: air sampling detection, automatic spray equipment

SECOND FLOOR



- AREA:  $4320+3600+4300=12220M^2$
- HIGH: 10M
- Wear resisting, bearing 5 tons / sqm
- Lifts: 6
- Fire: air sampling detection, automatic spray equipment

6



Security system: CCTV systems, infrared alarm systems, electronic access control system

- **FIRST TAX FREE ZONE IN PRC**
- **ONLY foreign goods into the area, indefinitely stored**
- **Domestic goods entering the zone are treated as export tax rebate**
- **Duty-free imports of equipment for their own use in the region**
- **Corporate transactions in the region duty-free**
- **Easing the purchase of foreign currencies**
- **Multi-purpose area, can be carried out:**
  - - International entreport trade
  - - International transit
  - - International Procurement
  - - International Distribution
  - - International Processing



## FUTURE DEVELOPMENTS

### Projections

- Building Up Certified Selling Channels online and by store chain in China
- Implement Shanghai free Trade Zone as a base for Selling EU Food & Beverage Products in South East Asia
- Enforce the role of Shanghai free Trade Zone in Export from China to Europe
- Reproduce the model for different Business Sectors with the EU Partners Involved in the pilot project
- Implement China-Europe Import Export through a mutual information exchange for the acknowledge of national markets in order to institute quality standards certifications internationally recognized