



# **China (Shanghai) Pilot Free Trade Zone: A Solid Step towards RCEP and the Alike**

**Presenter: Chen, Bo**

Deputy Chair, Dept. of Int'l Trade  
Secretary-General, Research Institute on Free Trade Zone  
Shanghai University of Finance and Economics

# The Birth of Shanghai FTZ

- Proposed by Premier Keqiang Li, the general plan on 《 **China (Shanghai) Pilot Free Trade Zone** 》 was passed on July 3rd
- FTZ covers Yangshan Deep Water Port, Pudong Airport, Waigaoqiao Tariff-Free Zone and Waigaoqiao Tariff-Free Logistics Park
- In total FTZ is 28.78km



# FTZ's Yesterday

- Up to 2012, FTZ had more than 200 international operation centers (on shipping and logistics), 31 regional headquarters, 50 settlement centers for international trade。
- The largest 3% firms account for 50% of the total value-added
- Trade value exceeded 100 billion in 2012



# Why Free Trade Zone? Internal Dilemma

China's economic growth has significantly slowed down since 2012.

Growth Target: 7.5%



# Gloomy Production

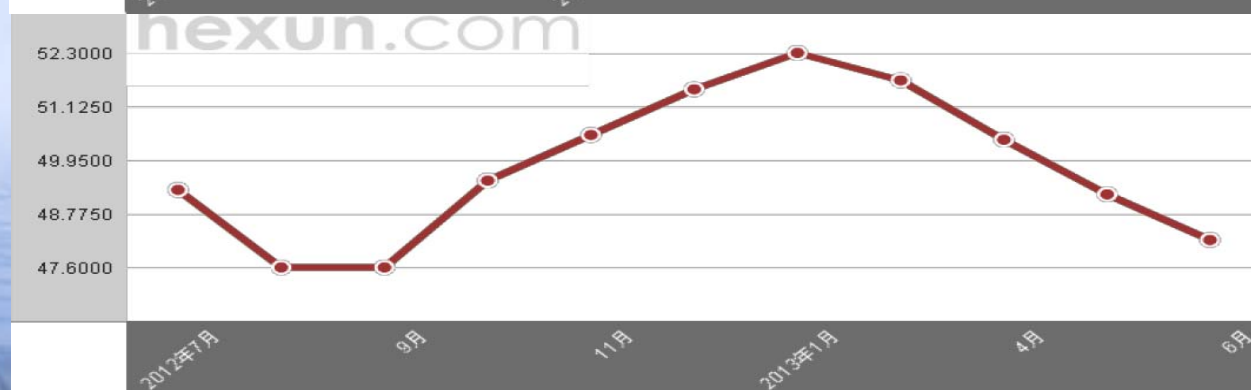
PPI



PMI(China  
Statistical  
Bureau)

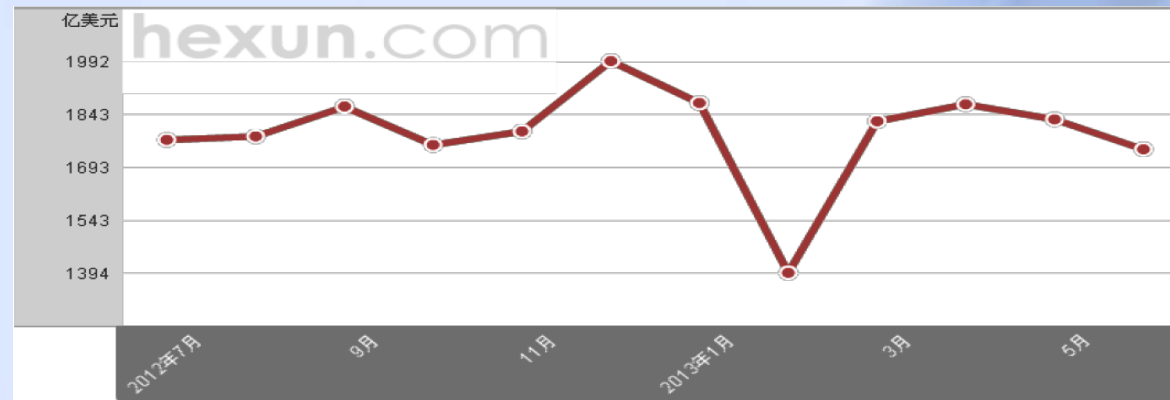


PMI(HSBC)

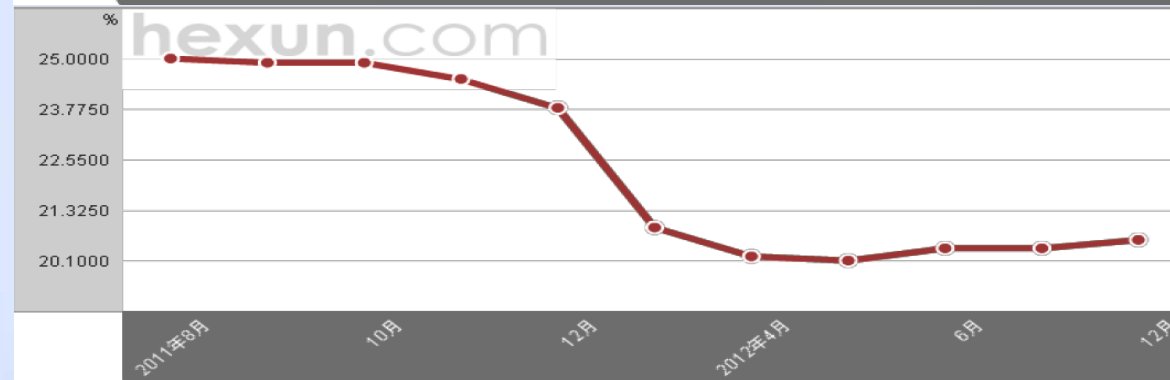


# The Performance of Three Growth Engines

Exports



Growth of Capital Formation



Growth of Retailing Revenue





# Middle Income Trap

- Weak market Influence on pricing but facing surging prices of natural resources
- Rapid growing labor costs (Nike, Addidas escape)
- Unaccomplished Industrial Upgrading
- Industry hollowing out



# China's Economic Reform: Greater Openness Forcing Reform Moving Forward

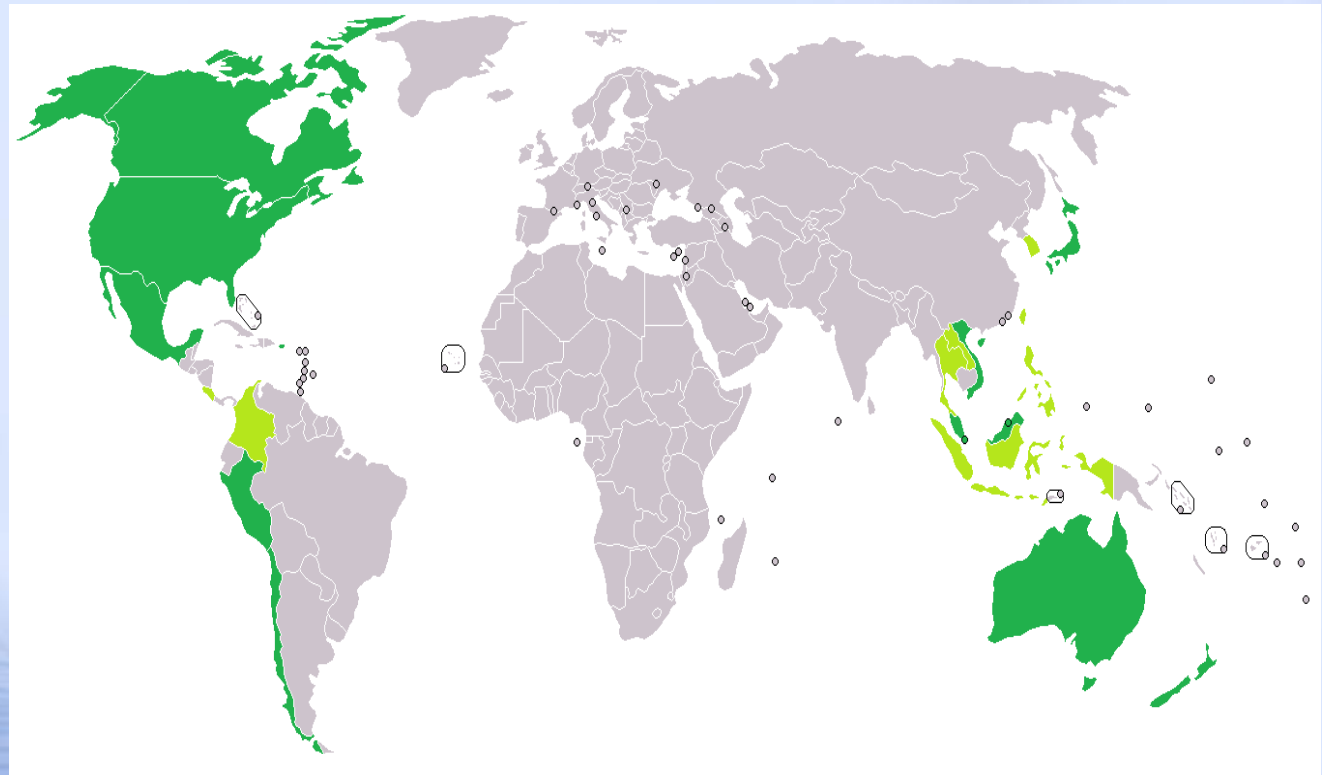
Reviewing the start of each economic growth cycle:

- 1st: Shen Zhen in 1979
- 2nd: Deng Xiaoping's South Tour in 1992
- 3rd: Entry WTO in 2001
- 4th: Shanghai FTZ?

# External Pressure

Doha round negotiation under WTO stuck  
accelerated regional economic cooperation.

TPP



# External Pressure

However, TPP is currently dominated by the U.S. but arguably not for the benefit of Asia-Pacific nations:

1. Negotiation secrecy
2. Very standards on IPR, labor/environmental protection, various Safety standards...
3. Ambitious comprehensive openness in all economic sectors with very tight agenda

# RECP: A More Favorable Approach

- solid basis: Emerging from six current ASEAN plus 1 FTAs
- Initiated and led by Asia Pacific nations
- Similar ultimate goals to TPP but with more negotiable agenda



# China to Push RECP Forward

- Up to Nov. 2013, TPP has undertaken 19 rounds negotiations while RECP only 2.
- Oct. 8th, China's new President, Xi Jinping, announced that China is going to push the economic integration in Asia Pacific region.
- Oct. 11th, China's new Premier, Li Keqiang, stated clearly that China is going to push RCEP forward.

# Why Pushing RCEP Forward

- RCEP is a the pathway towards Bogor Goals
- RCEP can bolster China's economy given its comprehensive global production chain
- RCEP can enhance China's influence in Asia-Pacific
- The proceedings of RCEP may increase China's and other Asia Pacific countries' bargaining power in TPP

# FTZ: A Necessary Choice under Internal and External Pressure

- Providing References for government administrative reform
- Enhancing competition in China, realizing more efficient resource allocation, to accomplish industry upgrading (Likonomics)
- A concrete step: China is preparing for more liberalized economy and thus can commit to and lead the RCEP negotiation

# Shanghai: An Inevitable Choice for FTZ



As a urgent task, we have to do the experiment in a place with comprehensive economic advantages:

- Shanghai is China's economic capital
- Largest ports and international business;
- Most competitive city in Finance and Service。



# Challenges to Shanghai FTZ

- No paradigm to gov't
- More restrictive standards to manufacturers
- More external competition and less domestic protection to SOEs
- Not so much experience to tackle the possible arbitrage between liberalized FTA and the rest part of China. (i.e. in financial sector)



***Thank You!***

***E-mail: [chenbo1947@gmail.com](mailto:chenbo1947@gmail.com)***