COMMENT
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Reviving the spirit of galleon trade

The crossing of China's Belt and Road Initiative and Philippine President Rodrigo Duterte's Build, Build, Build program, which aims to spend around $158 billion for airports, roads, railways and flood control facilities, has been refreshing bilateral exchanges dating back centuries.

John Gong

The history of Sino-Philippine commercial interactions can be traced back much earlier to around AD 1000 in the Northern Song Dynasty. Later, from 1405, Zheng He, a royal court official in the Ming Dynasty, led seven maritime voyages across the Southeast Asia region, through the Strait of Malacca into the Indian Ocean, and went as far as the Kenya coastal area of Africa. This is 87 years earlier than Christopher Columbus' historic voyage to the Caribbean. While Columbus sailed with three ships, Zheng He's fleet consisted of 317 ships with about 28,000 crewmen altogether.

A hundred years later, after Ferdinand Magellan's voyage to the Philippines, five additional expeditions were initiated from New Spain, the last of which resulted in the discovery of a sail route back to Mexico across the Pacific by Andres de Urdaneta. This discovery started the Manila galleon trade, which in my opinion represents the world's first truly global trading network. The Manila galleon trade starts with businessmen from China's Fujian area who traveled to Manila to sell spices, porcelain, silk, lacquerware and other valuable commodities in exchange for silver mined in Mexico.

Galleons from Manila, which were magnificent colossal ships, transported the goods to be sold in the Americas, Mexico, Peru, as well as in European markets, all the way to the Mexican Pacific port, Acapulco. The cargos were then transported by land across Mexico to Veracruz on the Gulf of Mexico, where they were loaded onto the Spanish treasure fleet bound for Spain across the Atlantic. This global trading network, traversing the Pacific Ocean and the Atlantic, lasted over 250 years until the Mexican War of Independence in 1815.

Today, what we are doing in the BRI and the Build, Build, Build program is essentially to revive the glory of the great Manila galleon trade 500 years ago, albeit steered by Asians. In pursuit of this joint vision, there have been several criticisms lodged from the West, especially as manifested in US Vice-President Mike Pence's recent Asia-Pacific Economic Cooperation speech, principally transparency, sustainability and inclusiveness issues.

The way the World Bank and other international organizations do things with infrastructure investment — for example, the process of going through various lengthy studies, reviews and open bidding — without a doubt has its merits, but doesn't come without a price in money and time which ultimately has to be borne by project owners.

An alternative solution is to improve the fundamental investment climate to root out corruption, both in China and in the BRI host countries. And on that, China does have something to learn from the Americans — for example, America's Foreign Corrupt Practices Act of 1977 (FCPA), which targets US companies engaged in overseas corruption.

The next issue concerns Pence's statement that China's BRI has created a sea of debt. It is true that some small countries do have a debt problem, which in all fairness already existed there before the BRI investments arrived. But the "debt trap" idea that the Chinese investment came in with a grand design from the very beginning to deliberately bankrupt the project owners and the host country, and then to turn the debt into equity holdings in a way to exert local influence and control, amounts to a totally ludicrous conspiracy theory. This whole chain of logic stretches people's imagination.

About inclusiveness, Pence talks about the BRI as a constricted belt and a one-way road, meaning the BRI has not benefited the host country via creating local jobs. But as a CNN special report revealed at a shoe factory in Addis Ababa, Ethiopia, 20,000 local jobs have been created. In fact, altogether, around 250,000 jobs have been created since the BRI started.

Obviously Chinese investment in the Philippines is to seek mutual benefits. No investment in the world is a one-way street in the absence of gunboat diplomacy. Throughout our history, China never had a wicked design on land Chinese ships reached. We did not colonize islands with sugar and coffee plantations based on African slavery, even though our ships were at least four times larger than those of Christopher Columbus, our fleet size was 100 times larger than that of Columbus, and our voyage was taken almost 90 years earlier than Columbus. And yes, we had reached Africa too.

In conclusion, both sides should charge ahead together at full speed like the Manila galleons on the Pacific 500 years ago, to reinvigorate their spirit, to revive their glory, regardless of the noises coming from the outside. Despite the two countries' territorial disagreement which will be resolved peacefully in the future, Sino-Philippines relations will present many opportunities, create a lot of wealth, and hold a great future.

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FTZ to deepen regional ties

By AN SHUWEI

The China (Shanghai) Pilot Free Trade Zone is the country's first domestic free trade pilot zone and shows China's determination to further open up its economy under the new circumstances. The pilot free trade zone (FTZ), approved by the State Council, China's Cabinet, in September 2013, includes seven bonded areas spread over 120.72 square kilometers.

As an experimental zone for comprehensive reform, the FTZ combines openness and innovation, a risk stress-testing zone for the open economy system, and a pilot area for improving the government's governance, while supporting the Belt and Road Initiative.

Since its establishment, the Shanghai FTZ has strived to become a highly open, efficient and legally normative FTZ based in key functional areas of finance and trade, advanced manufacturing and technological innovation. In fact, by the end of 2017, the zone had completed more than 76 percent of the 98 key reform tasks according to the general plan.

The number of newly registered enterprises in the Shanghai FTZ now exceeds 50,000, and, in 2017, the actual scale of foreign direct investment was $7.02 billion, with the total import-export trade volume being 1.35 trillion yuan ($194.3 billion). And by the end of last year, the FTZ had 849 financial supervision organizations and 4,630 emerging financial institutions.

The key system exploration of the FTZ is investment management centered on negative list management, a trade regulatory system centered on trade facilitation, an innovative financial system targeting capital account convertibility and service openness, and an in-process and post-supervision system centered on transforming government functions, with the aim of building an innovative system that measures up to international trade and investment rules and standards.

Also, the FTZ has deepened investment management system reform. The negative list for foreign investment was reduced, and now includes only 45 items, while a pilot program for the negative list for market access has been launched.

In terms of opening-up, 70,200 free trade accounts and 769 cross-border two-way yuan capital pools were opened in the FTZ in 2017. The trade facilitation level, too, has increased remarkably, and last year the average time needed for customs clearance was reduced by one-third compared with 2016.

The Shanghai FTZ also has issued China's first FTZ financial service industry opening-up negative list, improved the overseas investment service platform and established the Belt and Road Initiative technological trade measure and enterprise service center.

The FTZ is also exploring new ways of accelerating governance reform. It has launched a pilot reform project for separating business licenses issued by industry and commerce departments and other business certificates issued by other departments, and the first 116 reform measures launched in the Shanghai FTZ are also being promoted in other domestic FTZs.

The Shanghai FTZ has enhanced in-process and post-regulatory system construction covering 21 regulatory departments and 108 industries. The special customs control zone has established a mechanism for information sharing with port and financial regulatory departments of 80 countries, cities and regions.

According to the Shanghai FTZ's comprehensive deepening reform and opening-up plan issued by the State Council in 2017, the FTZ will be developed by 2020 into a global-standard FTZ boasting freedom of trade and investment, open and transparent rules, a fair and highly efficient supervision system, and a convenient business environment.

And the Shanghai municipal government is committed to further promoting the interactive development of the FTZ and Shanghai Zhangjiang National Innovation Demonstration Zone, and building a world-class national science center with strong innovation capacity.

The FTZ will develop an open environment through system and mechanism innovation and administrative management reform, which would attract international high-end service companies. This in turn would help spread the high-end service industries including finance, insurance, consulting and legal services to the neighboring cities and regions.

Indeed, the Shanghai FTZ is set to deepen connection and cooperation with neighboring regions, in order to play a key role in driving the regional economy.

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