

# FTZ success promotes deeper reform

As China accelerates the pace of its opening-up, the number of and scales of its free trade zones are expanding

By PENG BO

This year marks the fifth anniversary of China (Shanghai) Pilot Free Trade Zone, the country's first free trade experimental zone. Since its establishment, the Shanghai FTZ has been exploring new paths and accumulating experience on how to deepen reform and opening-up.

The Shanghai FTZ has extensively explored areas such as investment, trade and finance, and gathered valuable experience in them. As a result, about 95 percent of the foreign investment projects in the FTZ have been launched just after being registered, rather than after approval.

By the end of 2016, the Shanghai FTZ had launched a pilot reform of separating business licenses issued by the industry and commerce departments and those certificates issued by other departments.

To make customs clearance more efficient, the Shanghai FTZ deepened customs clearance reform, thereby reducing the time of entry and exit in bonded areas by 78.5 percent and 31.7 percent, respectively, compared with the national

average. This year, it has implemented electronics Equipment Interchange Receipt, which could reduce the enterprises' cost by up to 400 million yuan (\$58.3 million).

As an important part of the financial infrastructure reform, the Shanghai FTZ has gradually established a free trade account system, which provides enterprises with a cheaper overseas financing channel. Some financial innovations such as the Shanghai Gold Exchange's international board are based on the free trade account, too, and till June this year, 56 financial institutions had opened 72,000 free trade accounts — equivalent to 1.25 trillion yuan in domestic and foreign financing.

As such, the Shanghai FTZ has become a growth pole of China's new round of economic development.

Statistics show that since being established, the Shanghai FTZ has registered about 57,000 enterprises, among which more than 10,000 are newly established foreign investment companies, attracting \$110.2 billion in contractual foreign investment and \$25 billion in actual foreign investment.

Also, despite occupying one-

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fiftieth of Shanghai's land area, the FTZ accounts for one-fourth of its GDP and two-fifths of its overall trade volume.

Other free trade experimental zones, too, have successfully attracted investment. For example, by the end of August this year, 4,729 Hong Kong enterprises had registered in Qianhai and Shekou Area of Shenzhen, with their registered capital adding up to 424.2 billion yuan and the actual investment use being \$1.89 billion.

By the end of the first half of this year, Hong Kong-invested enterprises in Qianhai and Shekou Area of Shenzhen had achieved 17.7 billion yuan in value added and paid 5.95 billion yuan in taxes. These enterprises also made 6.68 billion yuan in fixed asset investment.

As for Hengqin New Area of Zhuhai, it has attracted 2,434 Hong Kong and Macao enterprises over the past nearly three years. In Chengdu Hi-tech Industrial Development Zone, more than 90,000 enterprises had registered as at April 30 — and it had attracted over 30 billion yuan in investment by May 8.

And Hubei Pilot Free Trade Zone, established in April 2017, had

attracted 133 foreign investors by the end of the first half of 2018.

As China accelerates the pace of its opening-up, the number of and scales of its free trade zones are expanding. Its reform, too, is deepening.

In November, in the keynote speech at the first China International Import Expo in Shanghai, President Xi Jinping announced that China will further deepen reform and innovations in its pilot free trade zones, including the Shanghai FTZ, allowing them to play an experimental and important role in reform and opening-up.

Besides, the Shanghai FTZ's new round of construction will further promote institutional innovation, reform and opening-up, help build a world-class business environment in the country, improve global resource distribution capacity and explore new paths for China's further opening-up.

We hope the Shanghai FTZ succeeds in further deepening reform and opening-up.

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## World-class city cluster taking shape

Coordinated development and other positive policies will help transform Beijing-Tianjin-Hebei region

By MA YANKUN

According to the Beijing Statistics Bulletin 2017, the city's permanent resident population last year was 21.707 million, 22,000 less than 2016. This is the first negative growth in Beijing's permanent resident population in two decades and it has caused public concern.

Many factors are responsible for the negative growth. The first is the universal rule of urban development. Based on new economic geography, the size of a city's population is determined by the friction between urban centripetal and centrifugal forces, which in turn are determined by local market effect and the price index. When the centripetal force is stronger than the centrifugal force, people flock to urban areas, and when the centrifugal force is stronger than centripetal force, the urban population begins to decline.

Beijing suffers some serious

urban diseases including traffic jams, sky-high housing prices and environmental pollution, which means its population size exceeds its sustainable level. As a result, the centrifugal force is stronger than the centripetal force. In fact, net growth of Beijing's permanent resident population, according to available data, has been declining since 2011.

The second factor is Beijing's policy decision to shift its non-capital functions to Xiongan New Area, in North China's Hebei province, as part of the coordinated development plan for Beijing, Tianjin and Hebei, which was elevated to a national strategy level in 2014.

Since then, Beijing has implemented stricter population-control measures such as increasing the threshold for getting a Beijing *hukou* (permanent household registration), shutting down wholesale markets, relocating industrial units, introducing a lottery for car licenses, and taking strict action against

illegal buildings, which have effectively curbed the increase of immigrant population, and slowed down Beijing's population growth rate.

Third, because of the talent competition among major cities, many first- and second-tier cities in China, including Shenzhen, Wuhan and Tianjin, have introduced successful policies to attract “drifters” and new college graduates from Beijing.

Although Beijing has also implemented policies to attract talent, they mainly focus on high-end talent, as the capital aims to compete with top global cities such as New York City and London.

The slowing economy, the aging population problem and the rural rejuvenation strategy have also contributed to the decline in the growth rate of Beijing's population, which, in fact, will facilitate the healthy development of the city by curing many of its urban diseases. A decline in urban population growth means fewer traffic jams, less pressure on the housing and public service sec-

tors, and a decrease in urban scale and resource use, which are necessary for sustainable development.

But the decline in population growth could also affect the capital's economic development, because for a relatively high development rate, an urban economy depends on the constant supply of workforce. And statistics show that the number of Beijing's permanent residents aged between 15 and 59 began declining in 2014.

Moreover, since a large immigrant population can ease the aging problem to a certain extent, the decline in the number of new permanent residents could worsen Beijing's aging population problem. In 2017, according to official data, senior citizens in Beijing accounted for 16.5 percent of the overall permanent resident population — and this proportion will keep growing unless their population is offset by the growing population of youths.

The negative growth in Beijing's permanent resident population

may also affect the development of the Beijing-Tianjin-Hebei region, which is expected to create opportunities for other cities in the region, especially those in Hebei, to cultivate industries, accelerate their economic development and expand their urban scale.

However, as Beijing's non-capital functions are shifted to Xiongan, the new area will attract more talent from home and abroad, which will facilitate its rapid growth. And the rapid development of cities in Hebei will help narrow the development gap in the Beijing-Tianjin-Hebei region, optimize the urban population distribution, improve the urban public welfare and security systems, promote the coordinated development of Beijing, Tianjin and Hebei, and eventually turn the Beijing-Tianjin-Hebei region into a world-class city cluster.

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