

Shanghai trade zone formally gets approved

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The establishment of a pilot free trade zone in Shanghai, the first of its kind on the Chinese mainland, has been formally approved by the State Council, the Ministry of Commerce said in a statement posted on its website on Thursday.

The establishment of the 28.78-square-kilometer zone, which will consist of four separate zones under the special administration of customs, paves the way for China's future economic development and will boost the country's global competitiveness, experts said.

"The establishment of the zone could facilitate the liberalization of yuan capital accounts. In the future, for example, foreign entities may be able to issue bonds and be allowed to get yuan-denominated loans in the Shanghai zone," Zhou Yu, director of the Research Center of International Finance at the Shanghai Academy of Social Sciences, told the Global Times Thursday.

The new Shanghai zone will include Waigaoqiao Free Trade Zone, Waigaoqiao Free Trade Logistics Park, Yangshan Free Trade Port Area and Pudong Airport Comprehensive Free Trade Zone.

"The main task [of the Shanghai zone] is to explore the new paths and models for China to open up, to push the pace of the transformation of government functions and reforms of the administrative system, to upgrade the means for economic development and to optimize economic structure," the statement said.

It said the State Council has asked the Standing Committee of the National People's Congress to review and decide on adjusting related laws on administrative approvals and other items in the Shanghai zone.

Xu Hongcai, director of the Department of Information under the China Center for International Economic Exchanges, told the Global Times Thursday that this move means that the government will give the Shanghai zone legal support to conduct reform policies.

Zhou agreed with Xu, adding that this is a critical change, because it gives the Shanghai free trade zone the privilege to try reforming polices in advance.

The planned reforms include greater liberalization of the service industry as well as furthering opening-up and innovation in the financial industry, the ministry said without offering details.

Many observers have compared the Shanghai free trade zone with the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone in South China's Guangdong Province, which was approved by the State Council in 2010. Both zones aimed to reform the service sector, promoting financial innovation and opening up the yuan capital account.

However, Xu said that the Shanghai zone will not be a direct competitor of the Qianhai zone or trade hub Hong Kong, because they serve different regions.

"Hong Kong and Qianhai mainly help facilitate trade around the Pearl River Delta, while the Shanghai zone will focus on trade and businesses around the Yangtze River Delta," Xu said.

While the ministry said the Shanghai zone will boost China's competitiveness and perform as a new platform for the nation to cooperate with other countries, it is now still in its trial phase.

The zone could as well be a test area and set an example for other regions in terms of reform policies, Xu said. "This is a more cautious way to conduct reform," he noted.