



China-Britain  
Business Council  
英中贸易协会

# IN THE ZONE

A comprehensive guide to  
China's zones and regions

[www.cbcc.org](http://www.cbcc.org)

# China GATEWAY

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China Gateway offers you a portfolio of key services, specifically tailored to meet the needs of your business including:

- **Consultancy** – Bespoke market research, identification of local contacts and potential partners, arranging meetings and market visits
- **Digital** – Services tailored to companies in the consumer sector including Digital Audit and E-analytics aimed at helping you to assess the real data behind the big e-commerce numbers.
- **Event management** – with a wealth of experience in running a range of events throughout China, from seminars and conferences to product launches, receptions and dinners, the CBBC Events Team can create a project specific to your requirements and budget.
- **Practical support** – Practical cultural training courses as well as interpretation, translation and visa support.
- **Advisory** – Advice on intellectual property protection and due diligence (company checks).
- **Location studies** – Analysis of pros and cons of locations and sites for office set up, location of manufacturing facilities and sourcing the right partners.
- **HR & Recruitment** – Guidance on and services to support the employment of staff in China.
- **Hot Desk** – Our Hot Desk facility offers an instant, flexible, cost effective and low risk means of using CBBC's extensive China office network.

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In addition to our China Gateway activities, CBBC provides advice, networking and insights as part of a wider membership and business support package.

# Foreword

## Matthew Rous, CBBC



Welcome to In the Zone, a report from the China-Britain Business Council focusing on the wide range of special economic and free trade zones now dotted across the map of China. This report sets out to help you to make informed decisions.

As the policy of Reform and Opening Up motors forward into its fifth decade, the China Opportunity has never been greater. This year the Chinese market has leapt up the World Bank Group's Ease of Doing Business Index by 29 places, from 78<sup>th</sup> place (2018) to 46<sup>th</sup> (2019). CBBC members on the ground report that they are optimistic about business prospects, with a majority planning to increase their investments.

Nonetheless the Chinese market can seem complex and challenging. When companies are seeking to establish operations in China, the question which often poses them the biggest headache is, "Where should we base ourselves?"

Deciding on the right location is clearly of vital importance. I hope that this practical report, with a wealth of detailed introductions, comparisons and case studies, will help you to plan a course through the various incentives on offer as well as any potential pitfalls.

The China-Britain Business Council will follow up on this report with a series of events and roadshows throughout 2019. Please look out for details. And in the meantime please make use of CBBC's extensive regional coverage in the form of our 13 offices across China, as well as our Launchpad service, which provides a simple and low-risk entry to the China market. Nothing beats local knowledge when it comes to planning a new investment. We look forward to helping you to make the right choices for your business."

A handwritten signature in black ink that reads "Matthew Rous". The signature is written in a cursive style with a horizontal line underneath the name.

Matthew Rous

Chief Executive  
China-Britain Business Council



# Foreword

## Liu Dianxun, CIPA



### Promoting reform and development through opening up and industry

This year marks the 65<sup>th</sup> anniversary of the establishment of Chargé d’Affaires-Level diplomatic relations between China and the UK. During these 65 years, China has experienced great changes, as have China-UK relations. In 2015, during President Xi Jinping’s state visit to the UK, China and the UK jointly published the “UK-China Joint Statement on Building a Global Comprehensive Strategic Partnership for the 21<sup>st</sup> Century”, and since then bilateral relations have comprehensively improved. As Socialism with Chinese characteristics enters a new era, so too do Sino-UK relations, as they develop at an even faster pace than before. In recent years, bilateral investment between China and the UK has been active: according to statistics from the Ministry of Commerce of the People’s Republic of China, the UK, as the second largest source of investment in China from the EU, has direct investment projects in China worth a total value of \$24.9 billion. The UK is also China’s largest direct investment destination in the EU, accumulating a total of \$22.15 billion in direct investment, including in industries such as finance, manufacturing, information technology, and transportation. As the Director General of Investment Promotion Agency of the Ministry of Commerce of China (“MOFCOM”), I have had the

privilege of witnessing the Golden Era of China-UK economic and trade cooperation.

During the early days of reform and opening up in the 1980s, China established the first batch of national economic and technological development zones along many of its coastal areas, attracting investment from many internationally-funded companies, including UK companies. A product of China’s reform and opening up, development zones have been a driving force behind China’s industrialisation, and this industrial development has boosted Chinese urban construction; today, the successful integration of cities and industry can be seen in many places. As proven by more than 30 years of development, these kinds of Chinese zones, which act as the window for China’s opening up to the outside world, not only play an increasingly significant role in Chinese open economy but are also a key contributor to China’s modern development. The establishment of China (Shanghai) Pilot Free Trade Zone in September 2013 marked a new stage in the development of China’s zones, and 12 pilot free trade zones have now been established in succession in China’s eastern, central, and western regions. As can be seen, China’s free trade zones play a key role in the deepening of reform and expansion of China’s opening up.

As the national investment promotion agency, the Investment Promotion Agency of MOFCOM is devoted to providing investment promotion services for Chinese and international investors, so as to build a professional and international cross-border industrial investment promotion platform. Our work includes highlighting diversified cooperation with all kinds of development zones, and, for many years now, holding our “Dialogue between Development Zones and Global Fortune 500” which attracts the attention of, and is supported by, more and more local governments, development zones and companies, and has now become one of CIPA’s brand events. Of course, we also know that development zones will face an ever-changing environment as they continue to develop. They should adhere to the law of economic development and follow prevailing international regulations from the formulation of a local industrial development plan to the model used to optimise investment, meaning the release of this report is well timed. Together with the China-Britain Business Council, we would like to continue exploring new forms and models of China-UK cooperation together, in order to help encourage more UK companies to enter China and to understand the

various industrial layouts and development models of development zones, so as to more effectively locate potential investment locations and connect prospective partners.

In recent years, China has comprehensively implemented a system of equal treatment for foreign investment, as well as a negative list-based supervisory system. It has also thoroughly carried out reforms to decentralise and lower barriers to entry, reform of innovation oversight and of promotion of fair competition, and reform to support efficient service in a convenient environment. It has drawn up and launched its Foreign Investment Law of the People’s Republic of China and organised the China International Import Expo, amongst other successes, and is continuously expanding its efforts to open up. We have reason to believe that as China continues to expand and open up, its various development zones will move towards a higher level of development, and we look forward to seeing more UK companies succeed in China’s development zones.



Liu Dianxun

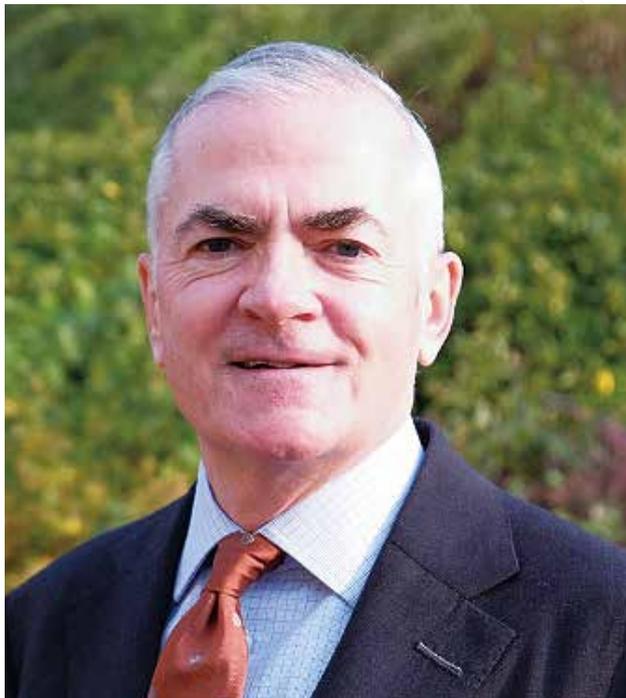
Director General  
Investment Promotion Agency, Ministry of Commerce,  
PR China (CIPA)

# Foreword

## Richard Burn, DIT



Department for  
International Trade



As China continues to open up and reform, experimental zones will continue to be a way of testing the policies of opening up, following the creation of the original Special Economic Zones in Guangdong by Deng Xiaoping in the 1980s. As these zones proliferate, the benefits for foreign investors are often unclear, particularly the extent to which benefits inside the zones apply outside them. This is particularly critical for services.

Chinese government officials are often themselves unclear as to how the zones apply to different sectors and many investors operate in a grey area. I therefore greatly welcome this report by CBBC for attempting to bring clarity to the operation and practical benefits of existing and new zones. I am sure that it will help British investors to navigate this complex and rapidly changing regulatory environment.

The current “Golden Era” of UK-China relations has seen trade and investment between the two countries go from strength to strength. The first batch of full-year 2018 trade data from the Office of National Statistics shows UK-China bilateral trade in goods and services reaching a record £68.5bn, while UK exports of goods and services grew by almost 5% to reach £23.1bn.

The Department for International Trade in China has

been focused on creating long-term opportunities for UK businesses. This report is well-positioned to support our efforts on market access and to improve the overall business environment. I look forward to working with CBBC to continue to support UK businesses to achieve even greater success in China.

Richard Burn

Her Majesty's Trade Commissioner for China

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Yangtze River  
Economic Belt

Greater Bay Area



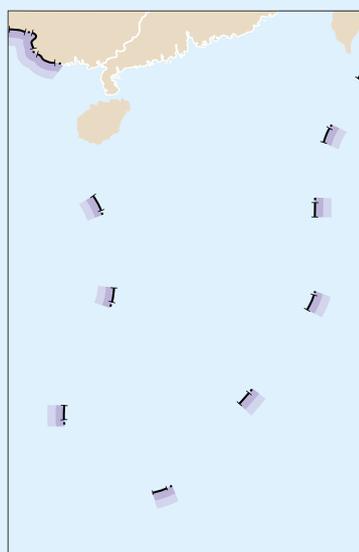
## Pilot Free Trade Zones

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| 2 Tianjin Pilot Free Trade Zone   | 8 Hubei Pilot Free Trade Zone     |
| 3 Guangdong Pilot Free Trade Zone | 9 Chongqing Pilot Free Trade Zone |
| 4 Fujian Pilot Free Trade Zone    | 10 Sichuan Pilot Free Trade Zone  |
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## Selected Zones

- 1 Beijing Economic-Technological Development Area
- 2 Changsha National High-tech Industrial Development Zone
- 3 Chengdu Tianfu Software Park
- 4 Chongqing Liangjiang New Area
- 5 Guangzhou Development Zone
- 6 Hangzhou Hi-Tech Industry Development Zone
- 7 Nanjing Economic and Technological Development Zone
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- 10 Harbin Economic and Technological Development Zone
- 11 Shenzhen Tian'an Cyber Park
- 12 Xi'an Hi-tech Industries Development Zone

## CBBC's offices in China



1:16,000,000

# Executive Summary

In the Zone, written by the China-Britain Business Council ("CBBC"), is a comprehensive collection of information and advice on China's varied and abundant economic zones. With systematic explanations of every zone type, alongside numerous case studies, In the Zone intends to provide UK companies with the knowledge needed when considering where to establish a presence in China.

The report starts by introducing the various types of zones in China, including Free Trade Zones, Special Bonded Zones, Export Processing Zones, High-tech Industrial Zones, and Economic and Technological Development Zones. For each type, the differing characteristics, business environments, government regulations, tax benefits, and investment incentives are clearly defined.

In addition, regional clusters of cities, with new government-supported initiatives and traditionally strong economic environments, present promising growth opportunities for UK companies. This report supplies detailed information on these Chinese "mega-regions", including Jing-Jin-Ji, the Yangtze River Delta, the Yangtze River Economic Belt, and the Greater Bay Area.

CBBC is proud of the geographical spread of our Chinese regional offices and within this report we have harnessed this regional expertise, with experts based in each of our 13 strategically located regional offices providing an introduction to one specific zone in their locality.

In the Zone's final section shares the experiences of UK companies with existing bases in China, with case studies in the form of interviews providing guidance to those who are yet to enter the China market.



# Types of Zone in China

## Pilot Free Trade Zones

Pilot Free Trade Zones (“PFTZs”) are special areas that enjoy certain customs regulations, reduced restrictions on foreign investment, and streamlined administrative procedures. They are typically, but not always, made up of three existing economic zones that focus on specific services or exchanges, such as High-tech Parks or Bonded Zones, although PFTZs themselves do not offer bonding services.

### Purpose

PFTZs are designed to drive regional growth and promote international trade and investment, and thus feature attractive trade policies for foreign companies aiming to operate in China.

### Background

Starting with the Shanghai PFTZ in 2013, there are now 12 PFTZs established in China, including the most recent: the new Hainan Pilot Free Trade Port.

### Key features

Industrial clusters within PFTZs aim to increase efficiency for companies and reduce transportation or communication barriers. Other features include:

- Transportation connections between PFTZs and surrounding ports, borders, and other transport hubs (it should be noted that different zones vary in their distance to commercial and/or residential areas);
- Increased economic integration with Hong Kong and Taiwan, especially in the PFTZs in Fujian and Guangdong;
- Foreigners being permitted to open WeChat business accounts, making it easier to reach Chinese employers and customers;
- Increased Internet access, either within global Internet centres or via VPN services.

Companies not involved in industries included on the Negative List (published by the Chinese government) are eligible to set up joint ventures (“JVs”) with Chinese companies operating in the same sector in PFTZs. The primary financial incentives available to them include:

Streamlined registration for foreign exchange;

- Free transfer of funds between free trade accounts (“FTAs”), and offshore and onshore non-resident accounts;
- The ability to loan RMB from offshore funds;

- The ability to convert funds into RMB from day one, without having to delay commercial contracts requiring hard currency payments.

### New PFTZs on the horizon

According to information released at the Second Belt and Road International Cooperation Summit Forum, China plans to launch a number of new PFTZs in a bid to speed up their development and construction.

In the 2015 13<sup>th</sup> Five Year Plan, a total of 12 PFTZs in 12 provinces were declared, and in the government work report of the same year there were eight further provinces with plans to establish PFTZs, including Jiangsu, Guangxi, Hebei, Yunnan, Heilongjiang, and Shandong.

In local governments’ work reports from 2019, the establishment of PFTZs remained a clear priority for many provinces. For example, the work report of the government of Shandong indicates that opening-up will be further strengthened, partly through applying to establish the China (Shandong) PFTZ. In their respective 2019 government work reports, the provinces of Hebei, Hunan, Yunnan, and Heilongjiang also expressed the desire to establish PFTZs.

## Economic and Technological Development Zones

Economic and Technological Development Zones (“ETDZs”) are special areas contributing to the development of knowledge- and technology-intensive industries. Companies in ETDZs operate under preferential financial policies.

### Purpose

ETDZs were established following the success of Special Economic Zones (“SEZs”) in order to attract foreign direct investment (“FDI”), create knowledge- and technology-intensive industries from labour-intensive industries, and accelerate regional economic growth.

### Background

The first four SEZs (Shenzhen, Zhuhai, Shantou, and Xiamen) were created after the introduction of China’s Open Door policy in the late 1970s. Due to the success of its SEZs, the Chinese government created ETDZs in 1984, when the Open Door policy was expanded to include more Chinese cities. Currently, there are 219 ETDZs in China: 107 are situated in the east of the country; 63 in the centre; and 49 in the west. With a total of 26, Jiangsu Province has the highest number of ETDZs, followed by Zhejiang Province and Shandong Province, which have 21 and 15, respectively.

ETDZs have had a profound impact on China’s economic development and structure: in 2016, the combined GDP of all EDTZs was RMB 8.3 trillion (£966 billion), accounting for 11.2% of China’s GDP.

### Key features

Similar to SEZs but generally smaller, ETDZs are designed to promote the development of more specific industries, such as through expanding high-tech industries and focusing on industrial projects and scientific research. To achieve this, ETDZs emphasise the development of manufacturers and scientific and technological research institutions. In this way they differ from SEZs, which offer preferential treatment within both the industrial and service sectors. Many ETDZs are also well located, as they are often found in major coastal cities with advanced transportation links.

Companies within ETDZs enjoy preferential policies, such as reduced tax rates and tax exemption for imported goods, in order to attract FDI. These preferential tax rates include:

- A flat 15% income tax levied on all manufacturing establishments;
- Companies with a term of operation longer than 10 years being able to apply for a tax exemption for the first two years after the first profitable year, and a 50% tax reduction in the third to fifth profitable years;
- The profits that are repatriated abroad by foreign companies in the ETDZ are not subject to local taxation;
- The city government of an ETDZ being permitted to make decisions concerning specific companies and transactions, for example: if a transaction is considered favourable to the ETDZ, then it could be made exempt from taxation.

### Examples

Beijing Economic and Technological Development Area (“BDA”) is located in the south-eastern suburb of Yizhuang in Beijing, and will eventually cover a total area of 195km<sup>2</sup>, a constructed area of 90km<sup>2</sup>, and a population of over 500,000. The primary industries seen in the BDA include the pharmaceutical, electrical equipment, and IT industries. It also aims to become a high-tech industry base, encouraging the recruitment of graduates from China’s top two universities: Peking University and Tsinghua University.

The Shanghai Minhang ETDZ, managed by Shanghai Minhang Joint Development Co Ltd, was approved in August 1986 and is a key centre of economics, finance, and trade. Like the BDA, its primary foci remain the pharmaceutical, high-tech, and electrical equipment industries. The Shanghai Minhang ETDZ will also encourage investments from the food, beverage, and leisure industries.

## High-tech Industrial Development Zones

### Purpose

High-tech Industry Development Zones (“HIDZs”) aim to develop and commercialise high-tech research findings and take advantage of knowledge-intensive centres with strong technological resources, such as universities, research institutions, and high-tech companies.

### Background

In March 1988, the first high-tech zone was established in Beijing at the Zhongguan Science Park. In subsequent decades, many zones named as “High-tech zones”, a moniker that usually refers to national-level HIDZs, have been opened across China, meaning there are now 169 such HIDZs distributed throughout the country, including 18 in Jiangsu Province alone. There are also many provincial- and prefectural-level HIDZs in China – in Zhejiang Province, for example, there are eight national-level HIDZs alongside 27 other HIDZs – but this report will focus on those national-level HIDZs.

### Key features

The main features of HIDZs include:

- Tax exemptions for high-tech firms;
- Export tax rebates;
- Lower rental fees;
- Local income and property tax exemptions;
- Financial support for the provision of some facilities and services;
- A location typically within a city centre, leading to the creation of clusters of high-tech research institutions that foster research collaboration, rather than manufacturing capabilities;
- Incentives for foreign technology firms to collaborate with in-zone institutions.

## Border Economic Cooperation Zones

### Purpose

Border Economic Cooperation Zones (“BECZs”) are special economic areas in cities and regions close to China’s borders which aim to promote cross-border trade and ease the importing and exporting process.

### Background

The first BECZs were established in March 1992 in Heihe and Suifenhe, Heilongjiang Province, and in Hunchun, Jilin Province. There are now 19 national-level BECZs in seven provinces: Inner Mongolia, Liaoning, Jilin, Heilongjiang, Guangxi, Yunnan, and Xinjiang, close to borders with six neighbouring countries: Russia, Mongolia, Kazakhstan, Myanmar, Vietnam, and North Korea. It was announced in January 2019 that a new BECZ is to be developed near the border between Shan State in Myanmar and Yunnan Province in China.

### Key features

BECZs offer the following features:

- Locations close to China’s borders;
- A focus on building cross-border business relationships and supporting cross-border trade;
- Preferential tax policies for companies from specific regions;
- Specialisation based on local conditions;
- Strong links to the Belt and Road Initiative (“BRI”).

## Special Customs Administrative Zones

### Background

Special Customs Administrative Zones (“SCAZs”) are special economic areas that aim to increase imports and serve as logistics hubs through preferential tax treatment, incentives and/or subsidies, depending on which of the main different types of SCAZs that the zone in question falls into. The first SCAZs were originally Bonded Areas and Bonded Port Areas, established in Futian, Guangdong Province and Tianjin in 1992. After the success of the first Comprehensive Bonded Zones, set up in the late 2000s, China’s State Council published its “Notification of the Proposal to Accelerate the Integration of SCAZs” in October 2015, promoting a quick integration, or upgrade of, SCAZs into Comprehensive Bonded Zones. By February 2018, there were 135 national-level SCAZs, of which over 75 are now Comprehensive Bonded Zones (“CBZs”) and 25 are Export Processing Zones (“EPZs”).

### Comprehensive Bonded Zones

#### Purpose

CBZs are special customs supervision areas that promote trade, facilitate investment, sustain steady growth in international trade and investment, and nurture new competitive advantages. These zones are comprehensive as they integrate other zone types, including Bonded Zones, Bonded Logistics Parks, EPZs, and other export-oriented zones, so as to be more open and less bureaucratic, and to act as process manufacturing, research and design, logistics, repair, maintenance, and sales services centres.

#### Background

Tianjin Binhai New Area CBZ was the first CBZ to be established in March 2008. Of the over 75 CBZs in China, many were formed when existing economic zones merged together.

#### Key features

CBZs typically include the following features:

- Often formed after the merging of existing economic zones, such as Bonded Areas and Bonded Logistics Parks;
- Favourable taxation policies, including taxes that are levied on the actual state of goods when goods enter the domestic sales area, domestic goods entering the region being regarded as exports and tax refunds

given, and no VAT and consumption tax on goods transactions between companies within the zone;

- Almost exclusively used to assemble foreign and Chinese manufactured parts into one finished product intended for the export market, although reforms in 2019 sought to broaden the range of business activities carried out in CBZs;
- Cost reductions that increase imports and exports, thus attracting FDI.

#### Example: Taiyuan Wusu Comprehensive Bonded Zone, Shanxi Province

- Established in October 2012;
- An independently managed customs regulation zone, providing secure bonded warehousing, cargo inspection, goods processing, and logistics and distribution services.

### Export Processing Zones

The special regulations within EPZs include import duty exemptions, VAT and consumption tax exemptions, and export tax rebates. Generally, companies operating in an EPZ are required to have a minimum of 70% of their goods re-exported out of China, leaving a maximum of 30% to be sold within China. Specific policies and facilities within EPZs depend on the geography, economic focus, and other local factors.

#### Purpose

By only requiring companies to pay tax at the end of the manufacturing process, EPZs aim to promote export-oriented foreign direct investment (“FDI”). EPZs can be seen as the establishment of export processing, storage, and transportation companies within a single zone, functioning as something of a “policy enclave”.

#### Background

First established in Shanghai, EPZs are present in Pilot Free Trade Zones (“PFTZs”) at both state- and provincial-levels. EPZs are industrial zones marked off in developing zones. Their functions are limited to processing trade for export and they were first set up in 2000. Even today, government bodies still play a significant role in EPZs, with local administrative committees helping to coordinate and monitor EPZ activities.

### Key features

There are two primary types of EPZs in China, largely defined by their geographical boundaries. The first type are bound enclaves of approximately 3km<sup>2</sup> or less, where special regulations promote international investment customs clearance, international trading centre benefits, and industry-specific liberalisation, amongst other advantages. The second type are larger, strategically-significant regions for national development over 100km<sup>2</sup> in size, with some even covering an entire province. There are therefore overlaps between these larger EPZs and other development zones, including with Special Economic Zones (“SEZs”, the first of which was established in Shenzhen in 1979); Economic and Technology Development Zones (“ETDZs”); High-tech Industrial Development Zones (“HIDZs”); and Bonded Zones.

### Example: Shenzhen Export Processing Zone, Guangdong Province

The first PFTZ, Shenzhen PFTZ, is in one of China’s top 10 cities by GDP. Shenzhen EPZ, located in the Grand Industrial Zone in Shenzhen PFTZ, was one of the first 15 EPZs set up in 2000 and covers an area of approximately 3km<sup>2</sup>. The main industries within the Shenzhen EPZ are those that are either high-tech or export-oriented.

## Bonded Areas, Bonded Logistics Parks, and Bonded Port Areas

### Purpose

These zones collectively focus on attracting FDI to increase imports and exports, and serve as logistics hubs through cost reductions. The primary feature of Bonded Areas is bonded storage, where special regulations allow for the tax-free storage of goods in order to attract international investment. Companies that use bonded warehousing are therefore supporting surrounding PFTZs in promoting economic growth on a national level. Chinese Customs requires companies using Bonded Areas to have a licence before their operations begin. Bonded Port Areas serve very similar purposes, but are typically located in coastal areas or are on a major river, therefore the differences between these two zone types are mainly geographic. Bonded Logistics Parks, meanwhile, have a strong focus on the movement and storage of goods within the zones themselves.

### Key features

Bonded Zones operate with high levels of security, controlling the movement of goods between bonded warehouses and the surrounding area, as well as related transportation links. Other key features of the Bonded Zones include:

- Preferential tax policies, such as tax and VAT exemption within zones until the re-exportation of stored products, a discretionary foreign exchange settlement and declaration system, and import tariff exemptions for specific machinery, equipment, and other materials used in infrastructure construction;
- Access to ports, and ease of access to logistics and processing facilities in Bonded Port Areas;
- Access to modern international logistics industries in Bonded Logistics Zones located within PFTZs.

Bonded companies encouraged to operate in these zones include:

- Companies procuring raw materials from either Chinese non-Bonded Areas or from overseas;
- Companies selling finished or reprocessed goods to either Chinese non-Bonded Areas or overseas;
- Logistics companies importing goods to either be transferred between Bonded Zones or stored in bonded warehousing;
- Logistics companies packaging imported goods or transporting them to Chinese non-Bonded Areas or overseas.

### Example: Guangzhou Bonded Logistics Park, Guangdong Province

- Established in December 2007;
- Provides processing and value-adding services for bonded logistics, including, but not limited to: grading, sorting, packing, metering, marking, labelling, and assembling;
- Incentives for companies include preferential tax policies akin to those in EPZs, and exemption from export duties if goods are transported abroad from the zone.

# Sino-UK (Dalian) Advanced Manufacturing Industry Pilot Park



City population 7 million  
 City area 13,237km<sup>2</sup>

GDP £88.77 billion  
 GDP per capita £12,254  
 Average salary of a skilled labourer £4,188 p.a.  
 Average salary of a manager £6,972-11,160 p.a.  
 Average salary of a director £13,956

**New Energy** China Dalian CBAK Power Battery  
**New Material** BHN Special Materials Ltd and Dalian Airuide Nanotech  
**Bio-tech** Dalian Baili Tianhua Biopharmaceutical  
**Housing Industrialisation** Dalian Dongdu Construction Material

**Zone location** 1 Yinxing Road, Dalian Huayuankou Economic Zone, Dalian, Liaoning Province

**Railway stations (Distance from zone)**

- Dalian North Railway Station (130km)
- Dalian Railway Station (140km)
- Huayuankou Railway Station (2km)

**Airports (Distance from zone)**

- Dalian Zhoushuizi International Airport (110km)

**Ports (Distance from Development Zone)**

- Dalian Port (140km)
- Dayaowan Port (90km)
- Zhuanghe Port (44km)



### Introduction to the Huayuankou Economic Zone

Huayuankou Economic Zone is a provincial-level economic development zone in Liaoning Province. As a crucial support point for the development of the Liaoning Province coastal economic belt, it focuses on the strategic emerging industries of new materials, new energy, biomedicine, and residential industrialisation. The National Development and Reform Commission (“NDRC”) has named this zone as a “National High-Tech Industry New Material Base”, the Ministry of Housing and Urban-Rural Development has named it as a “National Housing Industrialisation Base”,

and the Liaoning Provincial Government has named it as a “Liaoning Province Financial Innovation Experimental Zone”. On 23<sup>rd</sup> October 2017, Sino-UK (Dalian) Advanced Manufacturing Industry Pilot Park was officially set up in Huayuankou Economic Zone, and acts as a platform for undertaking international industrial transfers. An international demonstration platform for economic and trade cooperation between China and the UK has been built there, so as to add even more depth and strength to the cooperation between these two countries.

## Sino-UK (Dalian) Advanced Manufacturing Industry Pilot Park

### Background

In 2016, Item 51 of the Eighth Sino-UK Economic and Financial Dialogue stated that cooperation between the UK and China's traditional industrial base in its north-east shall be promoted in depth. On 23<sup>rd</sup> October 2017, Dalian municipal government and the UK's Department for International Trade signed a Memorandum of Understanding on Cooperation to establish the Sino-UK (Dalian) Advanced Manufacturing Industry Pilot Park in Huayuankou Economic Zone. In 2017, Item 56 of the Ninth Sino-UK Economic and Financial Dialogue once again emphasised that China and the UK will continue to promote the transformation of industrial cities in north-eastern China through the development of the Sino-UK (Dalian) Advanced Manufacturing Industry Pilot Park. The construction of the Sino-UK (Dalian) Industrial Pilot Park is an effective way to match global production capacity under the new trend of international industrial transfer, and to promote commercial cooperation and corporate collaboration between the Chinese and UK business communities, so as to support two-way investment between these two countries.

The Sino-UK (Dalian) Advanced Manufacturing Industry Pilot Park is close to Danda Expressway and National Highway 201. It is 2km from Huayuankou Station on the Dandong-Dalian high-speed railway, 130km from Dalian North Station, 140km from Dalian Station, 110km from Dalian International Airport, 90km from Dayaowan Port, and 140km from Dalian Port, which has been integrated into Dalian's One-Hour Economic Circle.

### Development planning

1. The first stage of the planned area: 10km<sup>2</sup>.
2. Industrial planning: The path to industrial development is based on an international automobile track project, in which competition and testing are carried out in parallel, and on the introduction of a world-class automobile testing centre to introduce new energy vehicles, powertrain and parts development, automobile after-sales service, and management and other related industries.
3. Operation pattern: Administrative Committee and a company:
  - a. Huayuankou Economic Zone Administrative Committee: Responsible for planning approval, preferential policies, administrative services, and investment promotion and capital introduction;

- b. Dalian Sino-UK Industrial Park Development Co Ltd: Responsible for investment and financing, development and construction, and investment promotion.
4. Development concept: Green, international, efficient, and innovative.
5. Layout:
  - a. Automobile industry cluster: To build an international automobile sports town that integrates competitive races, testing, commerce, tourism, and entertainment, and to establish the image of this park;
  - b. Core function cluster: To build benchmark products, increase the population, carry out urban infrastructure construction, and promote the development of the park;
  - c. Innovative industrial cluster: To build an intelligent production and living system to enhance the overall function of the park.

### Advantages

1. Quality business services: The park will open up green channels for companies entering Huayuankou Economic Zone, provide high-quality services, improve the efficiency of examination and approval, and promote the construction and start-up of projects, in order to generate profit. As an example of this, the park will provide a service secretary for all UK companies entering the park that are unfamiliar with any relevant policies, and offer a free "three full-services" package, which involves tracking all aspects of project negotiation, participating in the entire project, and providing a complete service to companies. The park will help UK companies to enter it and to avoid any problems that could arise due to these companies' lack of familiarity with administrative approval procedures, so as to ensure UK companies are well served.
2. China Development Bank support: The China Development Bank ("CDB") is a policy bank under the direct leadership of the State Council. The cooperation between the CDB and Sino-UK (Dalian) Advanced Manufacturing Industry Pilot Park provides funding, investment, and financing for UK companies in the park, helps UK companies expand in the China market, and promotes further cooperation between Chinese and UK companies.
3. UK government support funds: In order to support

UK companies in settling in to the Sino-UK (Dalian) Advanced Manufacturing Industry Pilot Park, the UK government's support funds in China will provide financial support for UK companies to ease any funding problems they may have, to expand financing channels, and to promote the development of UK companies in the park. Business collaboration between China and the UK will be heavily promoted.

4. Basic education: Dalian Sino-UK (Dalian) Advanced Manufacturing Industry Pilot Park is cooperating with UK schools to establish an international school, which includes a primary school, middle school and high school. The park fully supports an innovative cooperation between China and the UK in basic education, as well as more exchanges in the education field between these two countries. It will also create a strong educational environment and cultivate talent for UK companies based in the park.
5. Vocational education: The Sino-UK (Dalian) Advanced Manufacturing Industry Pilot Park runs a joint education programme with vocational education colleges, implements a skills-oriented education model, has adopted the apprenticeship model used in UK vocational education, and is actively exploring new models of Chinese and English vocational education. Combined with knowledge acquisition, skills development, and practical abilities, this forms a complete education and training system for research, development, and training that supplies professionals for UK companies in the park and increases development activities.
6. Medical services: The Sino-UK (Dalian) Advanced Manufacturing Industry Pilot Park will cooperate with well-known UK private hospitals to build a hospital in the park, so as to deal with any employees' medical issues, and which will provide advanced medical services and resources to ensure a high level of medical care.
7. Legal protection: In order to guarantee the rights and interests of UK companies in the park, Sino-UK (Dalian) Advanced Manufacturing Industry Pilot Park collaborates with well-known law firms that cover IP protection, legal consultation, and other commercial legal services required by UK companies in the park. IP protection includes the negotiation and drafting of IP-based agreements, IP issues in corporate and trading companies, and the provision of strategic IP rights. The park aims to protect UK businesses and form a strong IP system, eventually turning the Sino-UK (Dalian) Advanced Manufacturing Industry Pilot Park into a Sino-UK IP Demonstration Zone.
8. Talent resources: Dalian, where the Sino-UK (Dalian) Advanced Manufacturing Industry Pilot Park is located, has gathered many universities and research

institutes that can act as sources of outstanding talented people for it. Among them, there are more than 100 research institutes at the municipal level and above, and 30 colleges and universities that in total have 53,000 doctoral students, 360,000 undergraduate students, and 100,000 vocational students in attendance.

9. Standard workshop models: The following standard workshop models are provided by the Sino-UK (Dalian) Advanced Manufacturing Industry Pilot Park: factory buildings built by the relevant company, factory buildings built by the park, leasing, and rent first then buy later. These models provide both flexibility and convenience for UK companies.
10. Planning and Related Companies: Debenham Thouard Zadelhoff and China Construction Design Group were entrusted to formulate the development plan for this park. Experts from China and the UK, in particular those in the field of green infrastructure construction, were invited to hold a seminar to ensure the park was planned according to this international vision.

#### **Major areas for investment cooperation**

1. The automotive industry, in particular motorsports, automobile R&D, vehicle manufacturing, and exhibition centres;
2. The advanced manufacturing sector, in particular new materials, new energy, biomedicine, and aerospace materials;
3. The Chinese service industry, in particular UK towns (i.e. towns in China that have a traditionally British appearance), international education, international medical care, and five-star hotels;
4. The productive services sector, in particular intelligent cloud valleys, incubation bases, green finance, and trade logistics.

# Regional Strategic Development Areas

## Yangtze River Delta



### Introduction to the region

The Yangtze River Delta (“YRD”) region has long been established as one of the primary regional economic drivers within China, contributing more than 20% of China’s total annual GDP since 2004, generating GDP worth RMB 17.72 trillion (£2.06 trillion) in 2016, and being responsible for almost a third of Chinese imports and exports. In addition, in 2017, The GDP of the YRD’s largest city, Shanghai, reached RMB 3.01 trillion (£350 billion), the highest of any city in China. Looking to the future, the wider YRD is set to integrate surrounding port and inland cities through upgraded infrastructure, business development, and technology transfer, amongst other mechanisms, therefore continuing its impressive performance.

Since the 1990s, the urban areas within the YRD, which are currently home to an estimated 150 million people, have developed in three main stages: the construction of a sufficiently comprehensive transportation infrastructure, the encouragement of foreign direct investment (“FDI”), and the promotion of public service integration, so as to bring cities closer together. Although the YRD is not a new concept, it continues to be one of the most vibrant, diverse, and

strategically-located regions for foreign companies in China.

As well as Shanghai, the YRD comprises the neighbouring provinces of Jiangsu, Zhejiang, and Anhui, covering a total area of 211,770km<sup>2</sup>, as the map shows. Key cities within these three provinces include Nanjing, Hangzhou, Suzhou, Ningbo, and Wuxi. Of the 26 cities in the YRD, the majority are either coastal port cities or are located in close proximity to the coast.

In terms of top-down policy objectives, the Golden Waterway Economic Belt is a project that aims to integrate the YRD’s port cities with their respective wider provinces. Announced in June 2018 provincial leaders from Shanghai, Zhejiang Province, Jiangsu Province, and Anhui Province all signed a three-year plan that aims to make the YRD an integrated development region by 2020, and which involves launching collaborative projects and promoting urban facilities, high-tech products, and environmentally sustainable initiatives. At the same time, the central government has also released a three-year plan focused on reducing air pollution: the Blue Skies plan, which sets specific targets for the YRD. Although

the broad impetus for integration and collaborative development comes from high-level leadership, the local and provincial authorities take a lead in facilitating such projects themselves.

### City clusters in the YRD

Urban agglomeration based on the formation of city clusters is a key principle of the YRD's development strategy. These city clusters can drive economic growth through collaboration and integration of regional projects, in the process ensuring that no one city develops in infrastructural or financial isolation. The 1990s saw Shanghai as the core of the YRD region's urban development; however, from the end of the 20<sup>th</sup> century, efforts have been made to transfer technology from Shanghai to its neighbours, so as to expand urbanisation further inland. The key industrial focuses of selected cities and provinces include:

Shanghai: financial services, automobiles (due to

- decades of German influence), and electronics;

Hangzhou: information services, the creative

- industries, and machinery;

Nanjing: innovative entrepreneurship;

- Ningbo: trade, shipping, and logistics;
- Suzhou, Wuxi, and Changzhou: integrated to facilitate advanced manufacturing;

Hefei: industrial transfer products, including

- household appliances, machinery, electronics, automobiles, and food;

Anhui Province: the inland regions generally function

- as cost-effective labour areas, as well as providing space for industry transfers.

Port cities continue to be the real drivers of economic change in the YRD, hence the development of not only the YRD port cities themselves, but also their surrounding infrastructure and logistics support systems, is required to realise the goal of a truly-integrated region. Projects aiming to develop the infrastructure in these dense port cities are already underway: an expressway between Hangzhou and Taizhou to be completed in 2019; a high-speed railway linking Hangzhou to Wenzhou by 2021; and an extension of the deep-water channel of the Yangtze River to Nanjing, allowing vessels carrying up to 50,000 tonnes direct access to the city.

### Business overview and main challenges

Integrating infrastructure that manages to effectively and efficiently link city clusters and surrounding regions, presents significant challenges, and these challenges are magnified when integration with the wider Yangtze River Economic Belt ("YREB") is also

taken into account. From a policy-based point of view, the YRD has not been defined as a formalised city cluster in the same way that the Jing-Jin-Ji region has. Despite this, directives from provincial leaders, alongside the establishment of the Golden Waterway Economic Belt and the YRD Development Investment Fund, demonstrate that there are opportunities for foreign companies, especially in supporting financial services, logistics, and infrastructure projects.

### Cities within the YRD

- Shanghai;
- Nanjing (Jiangsu Province);
- Wuxi (Jiangsu Province);
- Changzhou (Jiangsu Province);
- Suzhou (Jiangsu Province);
- Nantong (Jiangsu Province);
- Yancheng (Jiangsu Province);
- Yangzhou (Jiangsu Province);
- Zhenjiang (Jiangsu Province);
- Taizhou (Jiangsu Province);
- Hangzhou (Zhejiang Province);
- Ningbo (Zhejiang Province);
- Jiaxing (Zhejiang Province);
- Huzhou (Zhejiang Province);
- Shaoxing (Zhejiang Province);
- Jinhua (Zhejiang Province);
- Zhoushan (Zhejiang Province);
- Taizhou (Zhejiang Province);
- Hefei (Zhejiang Province);
- Wuhu (Anhui Province);
- Maanshan (Anhui Province);
- Tongling (Anhui Province);
- Anqing (Anhui Province);
- Chuzhou (Anhui Province);
- Chizhou (Anhui Province);
- Xuancheng (Anhui Province).

## Jing-Jin-Ji and Xiong'an New Area



### Introduction to the region

The north-eastern Jing-Jin-Ji region comprises three parts: Beijing (“Jing”), Tianjin (“Jin”), and Hebei Province (“Ji”, which is the traditional Chinese abbreviation for this province), as the map shows. In 2017, this region was home to 8% of China’s population and comprised 10% of its economy. With its economic potential and a regional plan endorsed by President Xi Jinping, there has been a wealth of reports published since 2016 outlining future industrial efforts and potential development strategies for the Jing-Jin-Ji region.

Located at the heart of the Jing-Jin-Ji region, Beijing

not only boasts economic and political significance, but also a rich cultural and commercial history. It is China’s intellectual leader and home to the country’s top two universities: Peking University and Tsinghua University. Officially, there are 22 million people in Beijing, although the actual population may be significantly higher than this as many migrants in the city are not officially registered as residents. To reduce the traffic congestion, pollution, pressure on infrastructure, and other issues caused by Beijing’s high population, the city plans to relocate various industries, as well as a

proportion of those living within its boundaries, to other areas within the Jing-Jin-Ji region. In 2015, the State Council's website announced its four-part strategy to achieve this relocation:

1. "One Core": Beijing city;
2. "Two Cities": Beijing-Tianjin acting as "twin engines";
3. "Three Axes": the channels for industry and urbanisation, namely: Beijing-Tianjin, Beijing-Baoding-Shijiazhuang, and Beijing-Tangshan-Qinhuangdao;
4. "Four Zones": the primary central zone surrounds Beijing; the second easternmost zone covers Tianjin's port area; the third southern zone focuses on greenfield development; and the fourth north-western zone centres on ecological conservation.

Beijing's economy is predominantly based on private-public partnerships, technological entrepreneurship, and the cultural industries, although as it is predicted to become the city with the second-highest number of high-income consumers in China, beaten only by Shanghai, financial management and insurance services are steadily becoming more important in Beijing. Nearby, Tianjin is set to grow in the financial services, high-tech, and transportation industries, while in Hebei Province, policies are aiming to engender a movement towards new-energy vehicles and pharmaceuticals, and a move away from the steel production that has long played a major role in the local economy.

### Urbanisation in the Jing-Jin-Ji region and the concept of a "supercity"

The Jing-Jin-Ji region has not only been referred to as a new economic region, but also as a "supercity" cluster. This term hints at the urbanisation drive that forms a core part of the regional strategy. According to recent estimations, the approximately 20 "supercity" clusters that are appearing across China will soon be home to around 800 million people, the Jing-Ji-Ji region alone is expected to accommodate more than 130 million residents. In 2030, it has been projected that these clusters will generate more than 80% of China's total GDP.

### Xiong'an New Area

On 1<sup>st</sup> April 2017, Xiong'an New Area was announced as an economic zone located approximately 100km south of Beijing. Xiong'an New Area covers three counties: Rongcheng, Anxin, and Xiongxian, as well as

Baiying Lake, the largest freshwater wetland in China. Though initially planned to cover an area of 100km<sup>2</sup> the Xiong'an New Area will, in the long-term, be expanded to 2,000km<sup>2</sup> as the anticipated relocation of industries is carried out.

In terms of industrial focus, Xiong'an is set to take on some of the functions of Beijing that are not required to be carried out in a capital city, such as government administration, financial services, university education provision, and research work. Xiong'an has also been promoted as a pilot city for a new technology-based lifestyle: for example, only driverless cars will be able to be driven on the roads – a prospect that has implications for private transportation companies such as the taxi-hailing service Didi, and for the transport industry as a whole.

### Business overview and challenges

One of the primary challenges facing the formation of the Jing-Jin-Ji region is transportation infrastructure. Many who work in Beijing but live in the outskirts of the Greater Beijing area spend an average of five to six hours each day commuting; demonstrating the difficulty of creating an environment in which large numbers of workers can live an adequate distance from their workplaces. More transportation facilities for the Jing-Jin-Ji region are to be built in the hope of significantly reducing lengths of commutes, with a total of 24 intercity railways planned for completion by 2050 that the central government hopes will form a "one-hour commuting circle" in the region; increasing quality of life, raising efficiency, and helping the environment.

Indeed, environmental concerns are another core consideration of the Jing-Jin-Ji region. Cities bring economic and industrial benefits, but they may also increase the incidence of environmental problems, such as through industrial pollution or traffic congestion. Although the Jing-Jin-Ji Region is home to 10 of China's most polluted cities, leading research facilities and talent pools in technological innovation, where environmental protection and sustainability are now priorities, can also be found there.

## Yangtze River Economic Belt



The Yangtze River Economic Belt (“YREB”) is made up of 11 provinces and cities: Jiangsu, Zhejiang, Anhui, Jiangxi, Hubei, Hunan, Sichuan, Yunnan, and Guizhou provinces, and Shanghai and Chongqing. Whilst on a visit to Chongqing in 2014, Chinese Premier Li Keqiang announced a plan to build an extensive economic belt along the Yangtze River.

The YREB is not to be confused with the Yangtze River Delta (“YRD”) region, although the two do overlap in parts. The YREB is, however, a larger economic region than the YRD, and has been referred to as a “super-area” that incorporates almost half of China’s population and 41% of its GDP. The total area of the YREB covers 2.05 billion km<sup>2</sup> – 21% of China’s landmass – and is home to more than 600 million people. When Premier Li announced the plan, he proposed linking an existing belt along the Yangtze River, which is made up of 16 cities that include Shanghai and various municipalities in Zhejiang Province and Jiangsu Province, with the Chongqing-Chengdu (“Chengyu”) economic corridor, as well as the various provinces and cities between the two.

As the map shows, the YREB consists of three main blocks: the Lower Region, focused on Jiangsu Province and Zhejiang Province, Shanghai, and parts of Anhui

Province; the Middle Region, focused on Hubei Province, Hunan Province, and Jiangxi Province; and the Upper Region, focused on Sichuan Province and Chongqing. Parts of other provinces are also included within the YREB, while the Lower Region also includes some cities that are part of the YRD, such as Shanghai, Nanjing, Hangzhou, and Suzhou. This chapter will therefore cover the Middle and Upper Regions of the YREB.

The powerhouses of the Upper Region are Chengdu and Chongqing. Chengdu is the provincial capital of Sichuan and has long been the regional hub for economic activity in western China, while over the last decade Chongqing has benefited from the significant increase in the number of freight ships passing along the Yangtze River, which it sits on. In Chongqing specifically, this number has risen by 640% in a decade, and is now equivalent to 117 million tonnes per annum of freight. Furthermore, in 2015 Chongqing experienced the highest annual GDP growth of any major Chinese city: 11%. Chongqing has been targeted as an area for inland reform and transformation because it already has an established urban industrial infrastructure that could be developed further to continue the city’s high rates of growth.

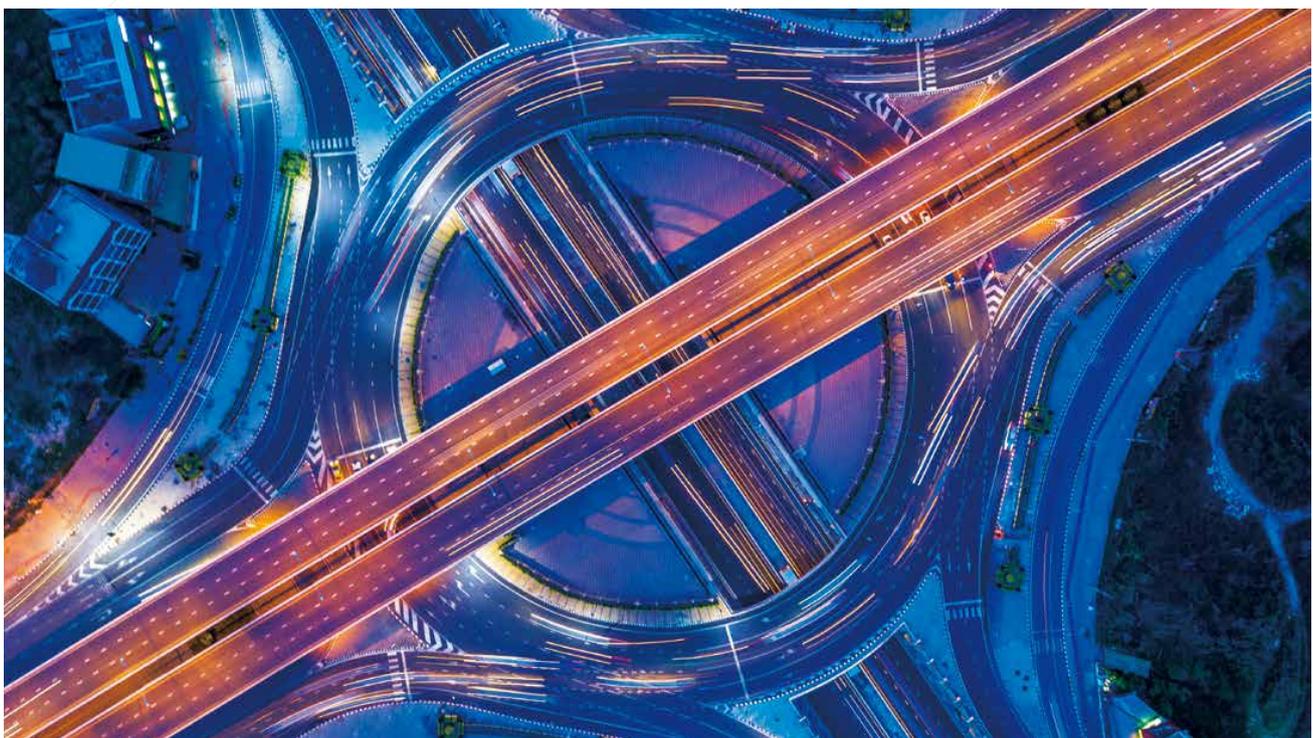
However, Chongqing is not only influential as a result of its industry: its location also benefits the YREB. Chongqing is on many railway routes running directly through central Asia to Europe, and is therefore a key link between the YREB, the Silk Road Economic Belt, and the 21st Century Maritime Silk Road.

The Middle Region's main hubs are Wuhan, Changsha, and Nanchang. In recent years the Chinese government has made an effort to develop these inland areas, following a large migration of workers from provinces like Henan and Sichuan to coastal cities during the mid-2000s. A key aim of the YREB is to ensure these less-developed and less prosperous cities in central China become both richer and more economically stable. By 2016, progress could already be seen in Jiangxi, Anhui, Hubei, and Hunan Provinces, in terms of high levels of economic growth and the improvement of industrial infrastructure. In 2018, Chinese President Xi Jinping again called for a focus on continued economic growth through the development of the YREB, especially in Wuhan.

### Business overview and main challenges

The concept behind the YREB is to promote further economic cooperation between provinces and cities along the Yangtze River, thus realising inland China's market potential. The YRD is already a key component of China's economic growth, and the YREB aims to build up mutual support and integration between the coastal regions and the landlocked central and western regions of China. In addition, the migration of industry and trade away from exclusively coastal cities is part of the Chinese government's long-term goal of creating a more stable and sustainable growth model.

The Yangtze River's 2,800km therefore acts as the link from the less-developed inland provinces and cities to the coast. Of all the inland rivers worldwide, the Yangtze River is already the busiest waterway for freight transportation; however, the YREB aims to increase this figure further. Since the announcement of the YREB in 2014, the cities and provinces it covers, especially in the Middle and Upper Regions, have reported rapid growth, with GDP often growing at over 8% per annum, while GDP per capita across the YREB reached RMB 56,470 (£6,566) in 2016, RMB 2,460 (£286) above the national average.



## Greater Bay Area



### Introduction

The Greater Bay Area (“GBA”) is located in southern China, and is comprised of the Special Administrative Regions (“SARs”) of Hong Kong and Macau, as well as the nine municipalities that surround Guangdong’s Pearl River Delta, including Guangzhou, Shenzhen, and Zhuhai.

The total population of the GBA is more than 70 million and it covers more than 56,100km<sup>2</sup>. Its nine cities represent 85% of the GDP of Guangdong Province, which has the largest economy of all the Chinese provinces. Furthermore, when combined with Hong Kong and Macau, the GBA represents 13% of the total Chinese economy, with a GDP of RMB 7.61 trillion (£0.88 trillion) and an annual growth rate of 9.2% in 2017.

Hong Kong is a leading financial centre, ranked highly for economic freedom and global competitiveness. The service industry makes up 92% of economic activity in Hong Kong, which has a GDP of HKD 2.839 billion (£273 million). The city is the most international within the GBA, and its liberal economic approach, emphasis on the rule of law, and well-established financial system and IT infrastructure make it a highly desirable area for business operations. In addition, there is a

large tourism industry in the region, with more than 65 million Chinese and international tourists visiting the city in 2017. The 13<sup>th</sup> Five Year Plan promises to support Hong Kong by consolidating its international reputation in finance, shipping, and trade, as well as its status as an international hub for business and asset management.

Macau is to the south of Guangdong Province. As an SAR, it has a free port and operates with its own customs platform, making it a vital link between mainland Chinese and international markets. Its largest industries are gambling and tourism, which are the main driving forces behind its high economic growth rate. Macau’s GDP per capita is one of the highest in the world at MOP 666,000 (£63,900) and the tertiary sector accounts for 94.9% of its GDP.

The provincial capital Guangzhou is in southern Guangdong. Its largest industry is advanced manufacturing, as automobiles, electronics, and petrochemicals are the primary sources of its development. It is also home to six leading production bases for automobiles, nuclear power equipment, IT products, refined steel, ship and marine engineering equipment, and petrochemicals, as well as more than

50 industrial areas and parks. Situated on the Pearl River, it has a highly-developed harbour and is well-connected to both rail and air transport systems. Guangzhou Pilot Free Trade Zone (“PFTZ”) in the Nansha District was officially approved in December 2014 and covers 803km<sup>2</sup>, with a focus on improving Guangdong-Hong Kong cooperation and facilitating the movement of technology between the two.

Shenzhen is a coastal city in Guangdong Province that borders Hong Kong. Established in 1980, the Shenzhen Special Economic Zone (“SEZ”) was the first of its kind in China, and legislation in 2010 expanded it to include each of the nine districts that make up Shenzhen. The area is connected extensively by air, sea, and land; and transport within the city is well-developed with eight metro lines. Shenzhen is perhaps best known internationally for being a highly-industrial innovation hub: it contains the headquarters of various multinational technology companies, including Huawei, ZTE, and Tencent, and its most prominent industries are advanced technology, financial services, logistics, and the creative industries, supplemented by its current focus on IT, biotechnology, environmental conservation, renewable energy, and new materials. In 2017, the total GDP of Shenzhen was RMB 2422.2 billion (£281.67 billion).

In March 2017, Premier Li Keqiang proposed: “to promote and deepen the cooperation between the Chinese mainland, Hong Kong, and Macau, and to formulate a plan for the development of a city cluster in the Guangdong-Hong Kong-Macau Bay Area.” In July 2017, the National Development and Reform Commission, the Guangdong provincial government, Hong Kong, and Macau jointly signed the Framework Agreement on Deepening Guangdong-Hong Kong-Macau Cooperation in the Development of the Greater Bay Area.

The Chinese government’s main objectives for the GBA are:

- By 2022:
  - To increase cooperation between the SARs and cities in the Pearl River Delta region;
  - To develop a policy framework for creating a world-class innovative and industrial centre.
- By 2035:
  - To develop an urban cluster in the area that employs the diverse and complementary strengths of each region, and economically rivals other famous bay areas, including those around New York, Tokyo, and San Francisco;
  - To increase cooperation between mainland China and Hong Kong and Macau;
- To provide an urban environment that offers the highest quality of life, work, and Chinese and international tourism opportunities;
- To engage the area in trade relations with other parts of China, Asia, and the world that are linked by China’s Belt and Road Initiative (“BRI”);
- To become an economic system and mode of development mainly supported by innovation, and to become an international hub for innovation, technology, and advanced manufacturing.

### Key policies

The Outline Development Plan for the GBA was issued in February 2019, and presents current and future policies, as well as recommendations for improving conditions for doing business in the GBA.

Facilitating trade and tourism:

- Visas and work permits will become more easily available for international innovators, such as fin-tech companies;
- A 144-hour Facilitation Visa policy will be further developed to increase tourism in the GBA region;
- The management approach using a negative list for international investments will be refined;
- As they begin business dealings in the GBA, international start-ups and high-tech companies will receive the same treatment as their Chinese counterparts;
- There will be easier cross-border access via developed transport systems for residents of Macau and Hong Kong, as well as significantly faster travel between the main GBA cities;
- Aviation and sea networks within the GBA will be expanded both domestically and internationally, and methods of container code sharing will be introduced across more ports;
- There should be homogeneity across all regulations, which will encourage the flow of goods, services, and talent across borders, as well as providing a universal method of recognising standards, certificates, and intellectual property (“IP”) rights;
- Macau- and Hong Kong-based investors will become more involved in mainland Chinese industries.

Promoting “One Country, Two Systems”:

- Local governments should establish trilateral coordination committees for mainland Chinese and Hong Kong and Macau affairs, while already-established consultation bodies in mainland China, Hong Kong, and Macau may be combined to operate under one cohesive regional structure,;
- Through the implementation of an information

exchange mechanism that focuses on financial and cybersecurity hazards, it will be possible for the mainland Chinese government to access information concerning Hong Kong and Macau finance and/or business issues.

Supporting scientific and technological innovation :

- There will be further development of the Guangzhou-Shenzhen-Hong Kong-Macau innovation and technology corridor. In addition, policy measures that facilitate flows of talent, capital, information, and technology will be considered;
- There is a plan to develop a large data centre for the GBA, as well as to establish research and development institutes;
- Research and development of clinical medicine will be supported by policies that enhance cross-boundary use of medical data and bio-samples;
- IP will be further protected through better leveraging of institutions such as the Guangzhou Intellectual Property Court, while law enforcement in key fields, such as e-commerce, will be strengthened.

Strengthening the BRI:

- Macau will be promoted as a gateway to Portuguese-speaking countries;
- Further connections with major world economies will be made in order to encourage investment in advanced manufacturing industries and to attract multinational companies and international organisations to the GBA;
- The GBA will also attract international advanced technology, high-calibre managerial experience, and talented innovators.

Improving financial services:

- The GBA will provide facilitation services, such as underwriting and inspection;
- There will be mechanisms in place for mutual access to capital and products;
- Cross-boundary transactions of insurance products will be promoted within the GBA, and support will be provided to eligible Hong Kong and Macau insurers that want to establish operational institutions in the districts of Qianhai, Nansha, and Hengqin;
- A cross-boundary RMB reinsurance business has been proposed, as has increasing support for GBA banking institutions that can facilitate:
  - Cross-border RMB lending and borrowing;
  - RMB spot or forward foreign exchange;
  - Support for RMB-related derivatives;
  - Wealth management of cross-border agency sales.

- Companies based in the GBA may be permitted to issue cross-border RMB bonds, while access to different financial markets and the scale of cross-border RMB use in the GBA will be expanded;
- The establishment of GBA international commercial banks in the Guangdong PFTZ may be considered; Hong Kong will become the global offshore hub for RMB-based business.

#### Impact on international businesses

The GBA will continue to operate as an important region for multiple sectors that international businesses are involved in, including:

- Technology and digital innovation;
- Financial and professional services;
- Infrastructure;
- Healthcare;
- High-end manufacturing (with an emphasis on green and low-carbon technology).

As is common practice in China, the GBA will act as a trial area for certain policies before they are introduced to other parts of the country. Companies that operate in the GBA hence possess a distinct advantage over others located elsewhere in China, as they will become familiar with future trends at an earlier point in time. Such new policies may also pose risks for companies that hold entities in both zones, as the Chinese government would have greater access to information regarding its assets and business dealings in Hong Kong and Macau.

# Pilot Free Trade Zones

## Shanghai Pilot Free Trade Zone

Shanghai, China's commercial centre and home to the world's busiest container port, is the largest city in China and one of only four directly administered by the central government. Located on China's eastern coast in the Yangtze River Delta, Shanghai offers comprehensive sea and air transportation options for many surrounding cities and beyond.



**City population** 24 million  
**City area** 6,341km<sup>2</sup>

**Opening date** 1994  
**GDP** £325 billion  
**GDP per capita** £16,242  
**Number of foreign companies** 600  
**Average salary of a skilled labourer** £11,628 p.a.  
**Average salary of a manager** £46,512 p.a.  
**Average salary of a director** £69,512 p.a.

**Zone location** China (Shanghai) Pilot Free Trade Zone, Shanghai

**Railway stations (Distance from zone)**

- 1 Shanghai Railway Station (22km)
- 2 Shanghai Hongqiao Railway Station (39km)
- 3 Shanghai South Railway Station (42km)

**Airports (Distance from zone)**

- 4 Shanghai Pudong International Airport (32km)
- 5 Shanghai Hongqiao International Airport (42km)

**Ports (Distance from zone)**

- 6 Yangshan Deep Water Port of Shanghai International Shipping Centre (103km)
- 7 SIPG Container Waigaoqiao Port (11km)

**Energy** BP and Oil

**Logistics** DHL

**Automobile** Porsche

**Finance** BNP Paribas and Shanghai Tianwei Investment Co Ltd

### Key policies

- Pre-inspection and write-off of imported goods mean that goods passing pre-inspection can leave the zone in batches at any time and be written off directly without inspection;
- Relaxed restrictions on foreign share ownership of Sino-foreign joint ventures and Sino-foreign shipping enterprises;
- Non-five-star flagships owned or majority-owned by Chinese-funded enterprises are allowed to take the lead in coastal import and export container businesses between a domestic coastal port and Shanghai Port; Wholly foreign-funded international ship management enterprises are allowed to be established.

## Tianjin Pilot Free Trade Zone

Located along the west coast of the Bohai Gulf, adjacent to Korea Bay and bordering Beijing, Tianjin is the largest coastal city in northern China and holds great commercial significance. To Tianjin's north is the Beijing-Hangzhou Grand Canal, an extensive trade route connecting north, central, and east China, as well as the Yangtze and Yellow Rivers.



**City population** 15.6 million  
**City area** 4,335km<sup>2</sup>

**Opening date** 2015  
**GDP** £215 billion  
**GDP per capita** £14,048  
**Number of foreign companies over** 3,300  
**Average salary of a skilled labourer** £6,972 p.a.  
**Average salary of a manager** £11,160 p.a.  
**Average salary of a director** £20,928 p.a.

**Zone location** 681 Yujiapu Ronghe Road, Binhai New Area, Tianjin

**Railway stations (Distance from zone)**

- 1 Tianjin Railway Station (20km)
- 2 Binhai Railway Station (25km)

**Airports (Distance from zone)**

- 3 Tianjin Binhai International Airport (39km)

**Ports (Distance from zone)**

- 4 Port of Tianjin (1km)

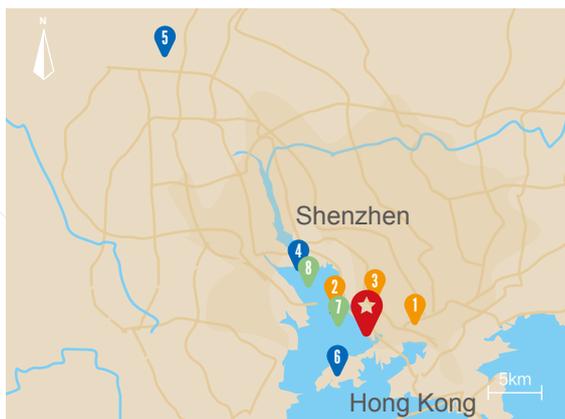
**Aviation** Airbus, UTC, and Airyc  
**Advanced manufacturing** Caterpillar and GE Healthcare  
**Marine engineering and shipbuilding** CSIC  
**Retail** Unilever  
**IT** Lflytek, Johnson Controls, and Volvo IT  
**Bio-industry and healthcare** BGI and Ringpu  
**Automobile** Volkswagen

### Key policies

- Support is available for foreign-funded enterprises to increase investment and to encourage them to adopt Chinese technology, equipment, and material, so as to expand within the Chinese market and develop Chinese supporting facilities. Financial incentives for qualifying foreign-funded enterprises include:
  - A one-off payment of RMB 3 million (£349,000) for enterprises with accumulated foreign investment of USD 20-50 million (£15.4 million to £38.5 million) within the current year;
  - A one-off payment of RMB 5 million (£581,000) for enterprises with accumulated foreign investment of over USD 50 million (£38.5 million) within the current year.

## Guangdong Pilot Free Trade Zone

Guangdong is the most populous province in China and is located on the south-eastern coast. The Guangdong PFTZ is spread across three sites: Qianhai in Shenzhen, Nansha in Guangzhou, and Hengqin in Zhuhai. This report focuses on Qianhai, an area located in western Shenzhen, adjacent to Hong Kong.



**City population** 12.5 million  
**City area** 1,997km<sup>2</sup>

**Zone location** Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, Guangdong Province

**Railway stations (Distance from zone)**

- 1 Shenzhen North Railway Station (22km)
- 2 Shenzhen West Railway Station (2km)
- 3 Futian Railway Station (18km)

**Airports (Distance from zone)**

- 4 Shenzhen Bao'an International Airport (20km)
- 5 Guangzhou Baiyun International Airport (137km)
- 6 Hong Kong International Airport (60 km)

**Ports (Distance from zone)**

- 7 Shekou Port (7km)
- 8 Fuyong Port (19km)

**Opening date** 2015

**GDP** £262 billion

**GDP per capita** 21,294

**Number of foreign companies** 11,097

**Average salary of a skilled labourer** £11,648 p.a.

**Average salary of a manager** £58,140 p.a.

**Average salary of a director** £116,279 p.a.

**Finance** HSBC, Standard Chartered, UBS, Citibank, and JP Morgan Chase & Co

**IT and high-tech** Arm Holdings, Microsoft, eBay, Apple, Intel, Qualcomm, Airbnb, Medtronic, SAP SE, and SAS

**Culture and creativity** The Walt Disney Company

**Logistics** DHL, UPS, Lufthansa Cargo, and Aersk

**Manufacturing** BP, British Gas, Airbus, Valeo, Tesla, Siemens, ABB Group, and TÜV Rheinland

### Key policies

- Financial policies include supporting the establishment of a cross-border RMB business innovative pilot area, exploring pilot cross-border loans, supporting enterprises in issuing RMB bonds in Hong Kong, supporting the establishment of an equity investment fund of funds, supporting innovative development of foreign equity investment funds, lowering the conditions of access for Hong Kong financial enterprises under the CEPA framework, and supporting financial institutions at home and abroad to establish international or nationwide management headquarters and business operation headquarters in the zone;
- Fiscal policies include levying enterprise income tax on enterprises conforming to the industry access catalogue and discount catalogue at the rate of 15%.

## Fujian Pilot Free Trade Zone

Located on China's south-eastern coast, Fujian is one of the country's wealthiest provinces, with several international companies operating there. The Min River flows through Fujian Province, connecting many cities, including the capital Fuzhou, to the Taiwan Strait. The Fujian PFTZ incorporates three existing bonded areas: Pingtan, Fuzhou, and Xiamen. This report will focus on Xiamen, a coastal city that attracts significant investment, especially from neighbouring Hong Kong, Macau, and Taiwan.



**City population** 4 million  
**City area** 1,699km<sup>2</sup>

**Opening date** April 2015  
**GDP** £50 billion  
**GDP per capita** £12,760  
**Number of foreign companies** 2,573  
**Average salary of a skilled labourer** £9,768 p.a.  
**Average salary of a manager** £12,564 p.a.  
**Average salary of a director** £16,740 p.a.

### Key policies

- Wholly foreign-funded enterprises are allowed to be engaged in the manufacturing and R&D of electronic devices and motorbikes, and the manufacturing of energy power batteries;
- Wholly foreign-funded enterprises are allowed to be engaged in the processing of edible fat and oil, to invest in the processing of husked rice, flour, raw sugar and corn, and in the production of biological liquid fuel (ethanol and biodiesel);
- Single proprietor foreign-funded enterprises are allowed to be engaged in the R&D, design, and manufacturing of rail transit-related equipment.

**Zone location** Block A, Xiamen International Shipping Centre, 89 Xiangyu Road, Xiamen, Fujian Province

#### **Railway stations (Distance from zone)**

- 1 Xiamen Railway Station (9km)
- 2 Gaoqi Railway Station (7km)
- 3 Xiamen North Railway Station (19km)

#### **Airports (Distance from zone)**

- 4 Xiamen Gaoqi International Airport (9km)

#### **Ports (Distance from zone)**

- 5 Xiamen Haitian Port (1km)
- 6 Xiamen Cruise Centre Xiagu Dock (5km)
- 7 Xiamen Lundu Dock (8km)

**Aviation services** Taikoo (Shandong) Aircraft Engineering Co Ltd and Taikoo Engine Services (Xiamen) Ltd

**Aerospace** Technologies (Xiamen) Co Ltd and Honeywell Aerospace

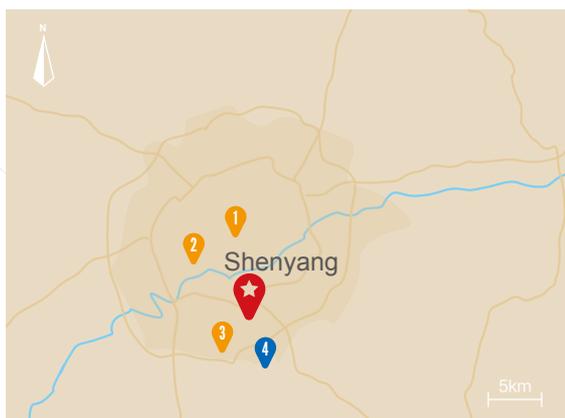
**Shipping and logistics** Swire Haitou Cold Chain Logistics (Xiamen) Co Ltd

**Finance** Free Trade Financial Center

**Culture and creativity** Xiamen C&D Inc

## Liaoning Pilot Free Trade Zone

Liaoning is a coastal province in north-eastern China. Within it are three designated PFTZs: Dalian, Shenyang, and Yingkou. It focuses on the production of raw materials. An extensive river system connects this region to the Yellow Sea and Liaoning's advanced railway system connects it to Hebei Province, Beijing, and North Korea. This report will concentrate on Shenyang, as it is the provincial capital and largest city in Liaoning Province. Shenyang is also an important industrial centre, serving as the transportation hub of north-eastern China.



**Zone location** 109 Quanyun Road, Hunnan District, Shenyang, Liaoning Province

**Railway stations (Distance from zone)**

- 1 Shenyang North Railway Station (18km)
- 2 Shenyang Railway Station (17km)
- 3 Shenyang South Railway Station (7km)

**Airports (Distance from zone)**

- 4 Shenyang Taoxian International Airport (7km)

**City population** 8 million (Shenyang), 7 million (Dalian), and 2 million (Yingkou)

**City area** 13,000km<sup>2</sup> (Shenyang), 12,574km<sup>2</sup> (Dalian), and 5,402km<sup>2</sup> (Yingkou)

**Opening date** 2017

**GDP** £68 billion (Shenyang), £85 billion (Dalian), and £15 billion (Yingkou)

**GDP per capita** Shenyang (£8,223), Dalian (£12,254), and Yingkou (£6,142)

**Number of foreign companies** 1,207

**Average salary of a skilled labourer** £4,884 p.a.

**Average salary of a manager** £11,160 p.a.

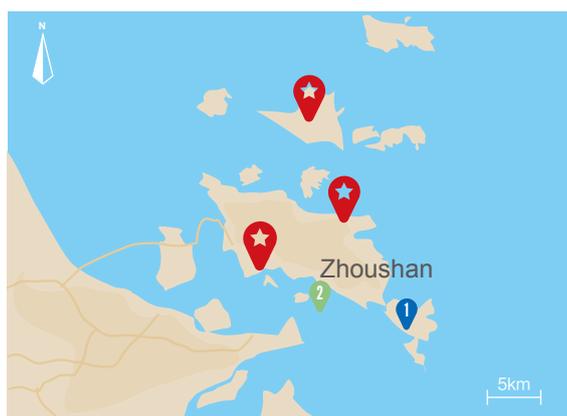
**Average salary of a director** £20,928 p.a.

### Key policies

- The “1+4” industry policy is used, in which “1” refers to the list of the first batch of industries to be supported and developed, as issued by the Shenyang provincial government, namely: advanced manufacturing, international trade, financial services, modern logistics, commercial services, and technological services; while “4” refers to policies to boost the development of advanced manufacturing, financial services, leasing financing, and technological innovation and development, which are mainly inclusive policies that do not differentiate between domestic and foreign capital.

## Zhejiang Pilot Free Trade Zone

Stretching along China's more developed east coast; Zhejiang is one of the richest provinces in China. The Zhejiang PFTZ is located in Zhoushan, an archipelago in the north of Zhejiang Province which consists of 1,390 islands. This zone's main focus is on oil refuelling and to support this, Ningbo-Zhoushan Port houses a large crude oil terminal and ore loading berth. Zhejiang Pilot Free Trade Zone covers three areas: the Offshore Island Area, the Northern Area, and the Southern Area of Zhoushan.



**City population** 1 million  
**City area** 22,200km<sup>2</sup>

**Zone location** Southern Area of Zhoushan, Zhejiang Province; Northern Area of Zhoushan, Zhejiang Province; Offshore Island Area, Zhoushan, Zhejiang Province

**Airports**

Zhoushan Putuoshan Airport

**Ports**

Ningbo-Zhoushan Port

**Opening date** 2017

**GDP** £14 billion

**GDP per capita** £12,186

**Number of foreign companies** 339

**Petrochemical** Glencore and Vitol

**Aviation** Boeing

**Shipping and marine engineering** IMC Pan Asia Alliance Group and Tsuneishi

**Port logistics** Brightoil Petroleum (Holdings) Ltd

**Marine tourism** Sheraton, Westin, Hilton, and Shangri-La

**International agriculture** Maruha Nichiro

### Key policies

- Foreign investment is encouraged in bulk commodity (focusing on oil products), international marine services, green petrochemical, modern aviation, shipping and marine engineering equipment manufacturing, marine electronic information services, marine bioengineering, strategic emerging, and modern services industries;
- Global top 500 enterprises are encouraged to establish regional headquarters, R&D centres, sales centres, logistics centres, and settlement centres in the zone;
- Up to RMB 2 million (£233,000) is awarded for the introduction of highly-educated overseas talent, and up to RMB 500,000 (£58,000) per individual per year for the introduction of overseas engineers.

## Henan Pilot Free Trade Zone

China's third-most populated province and fifth-largest provincial economy, Henan is an inland province in central China. The Henan PFTZ includes three main areas: Zhengzhou, Kaifeng, and Luoyang. This report will concentrate on Zhengzhou, the capital and financial hub of the province. As Henan Province is one of the most populous areas in the world, with many road, rail, and air networks, Zhengzhou is increasingly attracting domestic and international investment, transforming it into one of the largest economic centres in China.



**City population** 10 million (Zhengzhou), 5 million (Kaifeng), and 7 million (Luoyang)  
**City area** 7,446km<sup>2</sup> (Zhengzhou), 6,444km<sup>2</sup> (Kaifeng), and 15,230km<sup>2</sup> (Luoyang)

**Opening date** August 2016  
**GDP** £106 billion  
**GDP per capita** £10,831  
**Number of foreign companies** 139  
**Average salary of a skilled labourer** £6,013 p.a.  
**Average salary of a manager** £10,358 p.a.  
**Average salary of a director** £15,500 p.a.

### Key policies

- Financial support of up to RMB 20 million (£2.3 million) is available for enterprises that establish new headquarters within the zone: up to RMB 5 million (£581,000) for projects worth up to RMB 300 million (£34.9 million), RMB 5-10 million (£581,000-1.2 million) for projects worth RMB 300 million-1 billion (£34.9-116 million); RMB 10-20 million (£1.2-2.3 million) for projects worth above RMB 1 billion (£116 million);
- Financial support for top 500 enterprises (except for chain catering enterprises, entertainment enterprises, and supermarkets) that are new to settle in China of up to RMB 3 million (£349,000) and for overseas Fortune 500 enterprises that are new to settle in China of up to RMB 5 million (£581,000).

**Zone location** Zhengzhou: Jinshui District, Zhengzhou, Henan Province; Kaifeng: Zhengkai Avenue, Longting District, Kaifeng, Henan Province; Luoyang: High-tech Development Zone, Luoyang, Henan Province

#### Railway stations

- 1 Zhengzhou East Railway Station
- 2 Zhengzhou Railway Station
- 3 Zhengzhou West Railway Station
- 4 Luoyang Railway Station
- 5 Kaifeng Railway Station

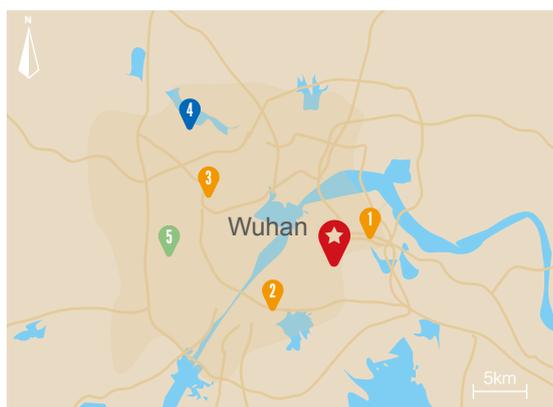
#### Airports

- 6 Zhengzhou Xinzheng International Airport
- 7 Luoyang Beijiao Airport

**Automobile and automotive equipment** Volkswagen  
**Manufacturing** Siemens  
**Financial and professional services** HSBC, Standard Chartered, and China Agricultural Bank  
**Commercial services** Starwood  
**Logistics** UPS

## Hubei Pilot Free Trade Zone

Hubei Province is located in central China, and its capital, Wuhan, is a key political, cultural, and economic hub of the region. Hubei Province is also home to the Three Gorges Dam project, which provides electricity to surrounding cities. The Hubei PFTZ consists of three sites: Wuhan, Yichang, and Xiangyang. As a result of the significant international investment it attracts, this report will focus on Wuhan.



**City population** 11 million (Wuhan)  
**City area** 8,569km<sup>2</sup> (Wuhan)

**Opening date** 2017  
**GDP** £412 billion  
**Number of foreign companies** 124  
**Average salary of a skilled labourer** £2,760 p.a.  
**Average salary of a manager** £4,308 p.a.  
**Average salary of a director** £5,304 p.a.

**Zone location** 777 Gaoxin Avenue, Wuhan, Hubei Province

**Railway stations (Distance from zone)**

- 1 Wuhan Railway Station (20km)
- 2 Wuchang Railway Station (20km)
- 3 Hankou Railway Station (34km)

**Airports (Distance from zone)**

- 4 Wuhan Tianhe International Airport (34km)

**Ports (Distance from zone)**

- 5 Yangluo Port (25km)

**High-end manufacturing** GE, Honeywell, Schneider Electric, and GKN

**Bio-industry, life sciences, and healthcare** Pfizer, Bayer, and AstraZeneca

**Technology** IBM, Siemens, and HP

**Infrastructure and energy** Arup

### Key policies

- VAT exemption and income tax reduction for small enterprises;
- The zone releases an annual report on the development of intellectual property and has established an arbitration and mediation settlement mechanism for international disputes related to intellectual property.

## Chongqing Pilot Free Trade Zone

Located in south-west China, Chongqing is one of China's four provincial-level municipalities and one of the largest cities in the country. Far from the coast, Chongqing is sited 2,500km up the Yangtze River from Shanghai. As a result of its inland location its export sector is small; instead, industry is dominated by the production of local consumer goods.



**City population** 32.8 million  
**City area** 82,401km<sup>2</sup>

**Opening date** 2017  
**GDP** £227 billion  
**GDP per capita** £7,406  
**Number of foreign companies** 238  
**Average salary of a skilled labourer** £5,116 p.a.  
**Average salary of a manager** £12,791 p.a.  
**Average salary of a director** £126,115 p.a.

### Key policies

- 10 items and 27 measurements have been removed in the latest version of the zone's negative list, including track manufacturing for transportation purposes, transportation manufacturing, pharmaceutical manufacturing, insurance, and auditing;
- Requirements that electric vehicle manufacturers use their own brand products during manufacturing, that rail transit equipment manufacturing must be done via a joint venture, and that foreign banks have been open for a specific length of time before being allowed to operate RMB transactions, have all been abolished.

**Zone location** Chongqing Liangjiang New Area, Chongqing; Xiyong Area, Chongqing Guoyuangang Area, Chongqing

**Railway stations**

- 1 Chongqing North Railway Station
- 2 Chongqing West Railway Station

**Airports**

- 3 Chongqing Jiangbei International Airport

**Ports**

- 4 Guoyuangang Port

**Automobile** GKN, Brose, Ford, and Continental AG General Motors

**IT and big data** AT&S, HP, Ericsson, Acer, Microsoft, Visteon Corporation, and Honeywell

**High-end manufacturing** Pilatus PC-6 Airplanes and Enstrom Helicopter Corporation

**Finance** HSBC, Liberty, and Standard Chartered

**Professional services** Vailog Group and Jardines

## Sichuan Pilot Free Trade Zone

Sichuan Province has long been an important agricultural base in China and has now become a thriving industrial hub and a key province in the development of the Yangtze Economic Belt. Home to the major economies of Chengdu, Mianyang, and Luzhou, Sichuan Province is now powered by both its abundant natural resources and its industrial production centres.



**City population** 16.3 million  
**City area** 12,390km<sup>2</sup>

**Opening date** 2017

**GDP** £162 billion

**GDP per capita** £10,106

**Number of foreign companies** N/A

**Average salary of a skilled labourer** £11,160 p.a.

**Average salary of a manager** £10,284 p.a.

**Average salary of a director** £27,907 p.a.

**Zone location** Tianfu New Area, Chengdu, Sichuan Province; Qingbaijiang Railway Port Area, 8 Xiangdao Avenue, Chengdu, Sichuan Province

**Railway stations**

1 Chengdu East Railway Station

2 Chengdu South Railway Station

**Airports**

3 Chengdu Shuangliu International Airport

**Logistics** DHL, Maersk, and FedEx

**Finance** HSBC, ANZ Bank, and Soft Bank

**Advanced technology** Microsoft, Sony, Intel, Fujitsu, and Hitachi

**Automobile** Honda

### Key policies

- The master accounts of two capital pools are allowed to be converted if conditions permit;
  - International conglomerates are supported in carrying out bidirectional RMB capital pool business;
- The development of the aviation industry is supported through encouraging qualified financial institutions to explore and establish specialised aviation financial institutions, innovation within the aviation financial product market, supporting aviation enterprises to participate in interbank bond markets, and strengthening credit policy support.

## Shaanxi Pilot Free Trade Zone

Xi'an lies in the south-central region of Shaanxi Province and is well connected to northern China, Eastern Europe, and Russia. Xi'an International Trade and Logistic Park houses one of China's largest inland ports and is integrated with the air, rail, and road transportation systems.



**City population** 10 million  
**City area** 10,097km<sup>2</sup>

**Opening date** 2017  
**GDP** £87 billion  
**GDP per capita** £9,834  
**Number of foreign companies** 267  
**Average salary of a skilled labourer** £8,376 p.a.  
**Average salary of a manager** £16,740 p.a.  
**Average salary of a director** £34,884 p.a.

### Key policies

- The manufacturing, construction, transportation, computer services, wholesale and retail, catering and accommodation, cultural and educational entertainment, technical services, water conservancy, public environment, securities and financial services, and insurance and trust bond industries are all foci of this zone;
- Enterprises headquartered in this zone and with registered capital of RMB 100-150 million (£11.6-17.4 million), can be awarded RMB 3 million (£349,000), those with registered capital of RMB 500 million-2.1 billion (£58.1-244.2 million) can be awarded RMB 15 million (£1.7 million), and those with registered capital of RMB 1-3.5 billion (£116-407 million) can be awarded RMB 25 million (£2.9 million).

**Zone location** 7<sup>th</sup> Floor, Bank of China Building, 246 Dongxin Street, Xincheng District, Xi'an, Shaanxi Province

#### **Railway stations (Distance from zone)**

- 1 Xi'an Railway Station (15km)
- 2 Xi'an South Railway Station (30km)
- 3 Xi'an North Railway Station (25km)

#### **Airports (Distance from zone)**

- 4 Xi'an Xianyang International Airport (37km)

#### **Ports (Distance from zone)**

- 5 Xi'an International Trade & Logistics Park (38km)

**Aerospace** XRA (JV of Rolls-Royce & XAE), Snecma, Avio, and Parker

**Finance and professional services** HSBC, Standard Chartered, Ernst & Young, PwC, KPMG, and Deloitte

**Manufacturing** ABB Group and Schneider

**IT and software** Oracle, Samsung, Intel, and Emerson

## Hainan Pilot Free Trade Port



### Geographic characteristics

Hainan is the southernmost province in China and is comprised of Hainan Island and several smaller islands surrounding it. Located in the South China Sea near the Pearl River Delta Region, it has access to some of the world's busiest shipping lines. Due to its tropical location, abundant sunshine, and average annual temperature range of 23°C to 26°C, it is a popular destination for both Chinese and international tourists.

### Economic environment

Hainan Province is a leading producer of tropical fruits, coffee, tea, and rice. Aside from food and beverage production, the province's primary industrial focuses are the processing of minerals and other natural resources, such as iron, gold, and cobalt. The real estate sector is also another major contributor to economic growth, especially in the capital of Haikou

and the southern city of Sanya. The tourism industry is of particular importance, with 16 million Chinese and 173,000 international tourists visiting Hainan Province in the first quarter of 2016 alone.

### Pilot free trade port policies

In April 2018, the State Council and the Central Committee of the Communist Party decided to develop the entire province as a Pilot Free Trade Zone ("PFTZ") and as a free trade port, making it the first province in China to receive such treatment. Hainan Province's new status will make it a platform to showcase: China's environmental protection programmes, its position as a hub of international tourism and commerce, and its access to the Pacific and Indian Ocean trading routes.

### Deregulation

All deregulatory policies applicable in the other 11 FTZs in China will also be implemented in the Hainan PFTZ port, including the introduction of the Negative List and Pre-Establishment National Treatment Model (“Negative List”), which defines industries where international investment is restricted and enables international companies trading in sectors not on the list to operate freely; as of 30<sup>th</sup> June 2018, the number of industries on this list had been reduced to 45.

### International shipping support

On 25<sup>th</sup> July 2018, the Ministry of Transport (“MOT”) announced several policies to support international shipping in the Hainan PFTZ. The first of these is the implementation of preferential tax policies for the shipping sector, including Individual Income Tax (“IIT”) relief for seafarers employed by shipping companies and for their equipment. It also lowered taxes for companies engaged in the shipping business. Furthermore, shipping capacity in the region is to be increased with the establishment of a shipping centre, and international shipping companies will be able to register themselves within the PFTZ.

### Tourism

In an effort to further bolster the tourist industry in Hainan Province, visitors from 59 countries have been granted visa-free access to the island, representing a significant relaxation of China’s otherwise-strict visa policy. The tourist hotspot of Sanya is also to

be developed into an international cruise ship stop. Another sector within the tourism industry that has grown in importance is the meetings, incentives, conferencing, and exhibitions (“MICE”) industry: in 2018, 9,033 MICE activities were held in Hainan Province, predominantly in Haikou and Sanya.

### De-centralisation

In order to stimulate local development, international value-added telecommunication providers will no longer be required to go through central authorities for permission to operate in Hainan Province. Instead, these responsibilities will be delegated to provincial authorities.

### Medical industry

In this PFTZ, patients will be able to access medicine that has been approved in the United States, Japan, and the EU before it is made available in the rest of China. This will enable Chinese citizens who would otherwise have to travel abroad for such treatment to instead go to Hainan Province. Furthermore, the development of stem-cell and other medical research will be supported.

### Attracting talent

In order to attract international talent to Hainan Province, the government will allow foreign students who have graduated with a master’s degree from a Chinese university to settle and work in Hainan, giving them easier access to work visas.



## Hejian Sino-UK Green Manufacturing and Remanufacturing Industrial Park



Hejian Sino-UK Green Manufacturing and Remanufacturing Industrial Park (henceforth referred to as "Hejian") is affiliated with Cangzhou, Hebei Province, and has a total area of 1,333km and a population of one million.

### **Advantageous geographical location and convenient transportation**

Hejian offers clear advantages, being located in the centre of the Beijing-Tianjin-Shijiang triangle, where it is a part of the Bohai Economic Rim and in the central area for the coordinated development of the Beijing-Tianjin-Hebei region. Beijing, Tianjin, and Shijiazhuang are all within 200km and the distance to the new core area of Xiong'an is 50km.

Hejian's transportation system is well-developed and an important transport hub in northern China. The surrounding area has five large airports (Beijing Capital,

Beijing Daxing, Tianjin, Jinan, and Shijiazhuang), and two large ports (Huanghua and Tianjin). The Beijing-Kowloon and Shuo-Huang railway pass through Hejian and a station on the Beijing-Kowloon high-speed railway will be established in the western part of the city. State road 106, the Baocang, Langbo, and Helong provincial roads, and Baocang highway intersect in Hejian with four high-speed road exits, while the planned Jingde and Qugang expressways will also pass through Hejian. Upon completion of these, Hejian will become a part of Beijing's "one-hour economic circle" and the journeys to Huanghua port and Beijing Daxing airport will be shortened to less than one hour and 40 minutes, respectively.

### **Standardised development and outstanding carrying capacity**

Hebei Hejian Economic Development Zone (East and West) is a provincial Economic Development Zone with a planned area of 37km<sup>2</sup>. The zone utilises green manufacturing engineering, accelerates the construction of a green manufacturing system, and develops the green manufacturing industry. The eastern zone of Hebei Hejian Economic Development Zone has won the title of provincial “3A Development Zone”, and is leading the way in the new material and equipment manufacturing industry. The western zone of Hejian Economic Development Zone has been approved by the provincial government as a “Provincial Circular Economy Demonstration Zone”, and its leading industries are electric wire and cable equipment manufacturing, green manufacturing, and remanufacturing. The efficient resource recycling project in the zone has achieved remarkable results, and both the resource output rate and comprehensive competitiveness in the zone are outstanding.

### **Strong industrial foundation and distinctive industrial characteristics**

Hejian is well-known both within China and internationally as a national remanufacturing industry demonstration base, an automobile parts distribution centre, a heat-resistant glass production base, and China's craft glass capital. Craft glass and the remanufacturing industry have both been identified as part of the provincial small and medium-sized companies' industrial cluster.

Hejian's craft glass industry plans to promote the transformation of the craft glass industry, upgrade industrial design, and continuously increase product value through innovation and creative design. By actively setting up its own platform, laying down foundations, hiring highly-qualified teachers, promoting extensive cooperation, and training qualified personnel, it has emerged as a leading base of operations for industrial design as well as for branding, art, quality improvement, information usage, and internationalisation. Hejian is now China's largest household glass production base and the world's largest heat-resistant craft glass production base.

Hejian actively promotes the construction of green products and green factories, is improving its ability to support science and technology, and advocates for the development of green innovation. It has already developed a solid foundation and completed the chain for the remanufacturing industry, and in addition possesses the largest raw material trading market for automobile part remanufacturing in China, accounting for 70% of the total trading volume in the country. There are more than 300 companies in the remanufacturing field within the region, which employ

more than 50,000 people. The annual output value here is close to RMB 10 billion (£1.16 billion). This covers three fields: oil drilling, outdoor large-scale power generation equipment, and automobile parts. Among them, 50% of remanufactured automobile parts products are exported to South-east Asia, the Middle East, and South Africa. The scale of automobile starter and generator remanufacturing means it ranks first in the world. In 2017, the National Development and Reform Commission approved the construction of the Remanufacturing Industry Demonstration Base in Hejian. Hejian has thus become China's fourth remanufacturing industry base, the first remanufacturing industry base north of the Yangtze River, and is currently the only one at the national level. The National Development and Reform Commission, the Ministry of Industry and Information Technology, the Hebei Provincial Party Committee, and the Provincial Government, have all provided tremendous support to the Hejian remanufacturing industry and the construction of the base is listed in the 13th Five-year Plan for Coordinated Development of Beijing, Tianjin and Hebei. By 2020, it will be built into the national manufacturing industry base for the purposes of collection, research and development, remanufacturing, exhibition and trade deals, and modern logistics. Its annual output by 2023 will reach RMB 20 billion (£2.33 billion).

In March 2018, the Hejian Remanufacturing Industry Demonstration Base successfully hosted the UK-China Green Manufacturing and Remanufacturing Industry Development Summit. More than 300 representatives from the remanufacturing industry of China and the UK attended the meeting, during which the Hejian government and the remanufacturing industry of the UK reached a consensus on jointly creating a “UK-China Green Manufacturing and Remanufacturing Industrial Park”. In July, Wang Shaojie, Mayor of the Hejian government, accompanied the Hejian remanufacturing delegation to the UK in order to promote the construction of the UK-China Green Manufacturing and Remanufacturing Industrial Park, implement future UK-China remanufacturing cooperation projects, and discuss investment to attract cooperation. The delegation visited the Department of International Trade, the China-Britain Business Council, the University of Brighton, Carwood, and other such companies. The two sides reached agreements on jointly building the UK-China Green Manufacturing and Remanufacturing Industrial Park and promoting UK-China remanufacturing technology cooperation.

### **Basic information about the UK-China Green Manufacturing and Remanufacturing Industrial Park**

Hejian National Remanufacturing Industry Demonstration Base covers an area of 1.5km<sup>2</sup>, is a key construction project for Hebei Province in 2019, and is a new type of provincial industrialisation demonstration base. It has become one of the five new engines for high-quality development in Cangzhou. The UK-China Green Manufacturing and Remanufacturing Industrial Park is an important part of Hejian's national remanufacturing industry demonstration base. Its main aims are to attract UK green manufacturers and remanufacturers possessing advanced technology and with strong research and development capabilities, so as to utilise the financial strength and huge market space within China to build high standards for green manufacturing and remanufacturing companies; to create an internationally-renowned Chinese green manufacturing and remanufacturing industrial park; and to provide a broader platform for deeper and wider cooperation between Chinese and UK green manufacturers and remanufacturers.

#### **Clear industrial positioning**

Green manufacturing and remanufacturing is at the core of the UK-China Green Manufacturing and Remanufacturing Industrial Park, and predominantly focuses on the green manufacturing and remanufacturing of automobile parts, engineering machinery (such as oil drilling equipment and shield machines), machine tools, office equipment, communications equipment, and other high-end green remanufacturing projects.

#### **Strong infrastructure**

The zone has clear roads, a full water supply, drainage, sewage and gas facilities, and well-developed electric power and communication networks. It is also planning to build high-quality sewage treatment facilities and an integrated and centralised cleaning centre, in order to relieve the concerns of companies entering the zone. The roof of the workshop is coated in PV material, which effectively reduces the energy consumption costs of companies in the park.

#### **Good support services**

The park offers production, commercial, and service bases, so that the UK-China Green Manufacturing and Remanufacturing Industrial Park can provide a complete industrial chain management model. To build a modernised, ecological, and smart park, a guiding fund for the green manufacturing and remanufacturing industry has been set up to provide financial services such as financial leasing and commercial factoring.

### **Outstanding environment for entrepreneurship and innovation**

The park has established the remanufacturing industry technical work station of Xu Binshi, a pioneer of remanufacturing in China and academician of the Chinese Academy of Engineering. The Beijing-Tianjin-Hebei Remanufacturing Industry Technology Research Institute has also been established, led by the technical team of the former national key remanufacturing laboratory professor, Zhang Wei. As China's first privately-owned remanufacturing industrial technology research institute, it has become a think tank that works with the government and has strong technical capabilities in remanufacturing standards, life assessment, key technologies, quality control, and other fields. It is able to provide technical and intellectual services to ensure the healthy and rapid development of the UK-China Green Manufacturing and Remanufacturing Industrial Park. Such services include technology research and development, testing and certification, consulting, standard formulation, achievement transformation, and talent training.

#### **Remarkable results achieved**

At present, the green manufacturing and remanufacturing industry cooperation between China and the UK is already producing outstanding results. On behalf of the Hejian remanufacturing demonstration base, Hebei Yingzhou Remanufacturing Technology Development Co Ltd has signed the "Investment Attraction Cooperation Agreement on the UK-China Green Manufacturing and Remanufacturing Industrial Park Project" with Gentop Limited, which will communicate with British companies on behalf of Hejian. Hebei Changli Company has reached a cooperation agreement with the UK's Lucas Group on an automobile part remanufacturing project. By purchasing Lucas Group's technology and brand, the company can explore the Chinese market and has started a sales business. At the same time, BCNY's printer ink cartridge remanufacturing project, Auto Enterprises' reverse logistics project, Carwood's turbocharger and automobile fuel injector remanufacturing project, and ATP Industries Group Ltd's automatic transmission remanufacturing project are all being actively negotiated and are making rapid progress.

#### **Factory or plant rental**

To attract remanufacturing companies which have independent intellectual property rights and are orientated towards middle and high-end markets, rent is RMB 0.7 (£0.08) per square metre per day, with a 30% discount in the first year and a 5% increase from this every year thereafter until the full rent is charged. For leading international remanufacturing companies

with an investment of more than RMB 50 million (£5.81 million) and an annual tax of more than RMB 8 million (£930,000), rent will be exempt in the first year and the discount will be 30% from the second year, then the annual increase will be 5% thereafter until the full rent is charged.

#### Joint venture cooperation

For companies with developed green manufacturing and remanufacturing technology, as well as those with a certain market share and good business prospects, the park will take the relevant factory buildings as shares. Companies with independent intellectual property rights and a large market share within China and internationally may become shareholders with intellectual property rights.

#### Finance leasing

A guiding fund for the green manufacturing and remanufacturing industry will be established to provide financial support to key companies entering the park; it may provide financial leasing services to companies in the park for purchasing machinery and equipment. Financial institutions are being introduced to provide financial services and accept companies within the park's raw materials and/or goods as collateral. Commercial factoring and other businesses are being introduced to help companies expand financing channels.

#### “One Case, One Discussion”

To adopt the preferential policy of "One Case, One Discussion" for major projects, corresponding supportive policies should be issued and special favourable policies should be given.

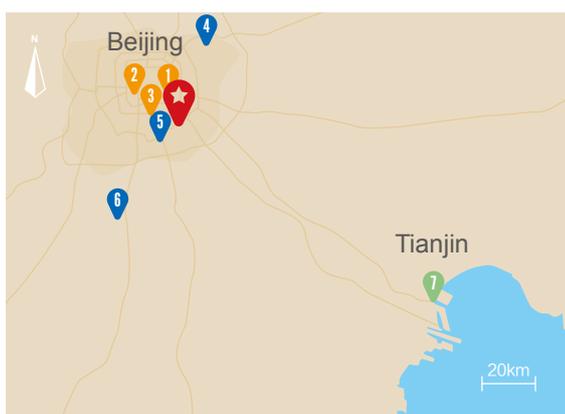


The establishment of the UK-China Green Manufacturing and Remanufacturing Industrial Park

# Selected Zones

## Beijing Economic-Technological Development Area

As the capital of China, Beijing is one of China's four provincial-level cities. It is the second-largest city in China and an important global city, serving as not only the political centre, but also a world-leader in business, finance, and technology. Beijing Economic-Technological Development Area ("BDA") is located in Yizhuang, a south-eastern suburb of the capital.



**City population** 21 million  
**City area** 16,801km<sup>2</sup>

**Zone location** Zhaolin Tower, 15 Middle Ronghua Avenue, Beijing

### **Railway stations (Distance from zone)**

- 1 Beijing Railway Station (19km)
- 2 Beijing West Railway Station (27km)
- 3 Beijing South Railway Station (19km)

### **Airports (Distance from zone)**

- 4 Beijing Capital International Airport (37km)
- 5 Beijing Nanyuan Airport (14km)
- 6 Beijing Daxing International Airport (38km)

### **Ports (Distance from zone)**

- 7 Tianjin Port (150km)

**Opening date** 1994

**GDP** £326 billion

**GDP per capita** £16,242

**Number of foreign companies** 600

**Average salary of a skilled labourer** £11,628 p.a.

**Average salary of a manager** £46,512 p.a.

**Average salary of a director** £69,512 p.a.

### **Key policies**

- Special funds and discount interest rates are available within the zone;
- Talent introduction policies have been implemented.

**Automobile** Porsche

**Robotics and equipment manufacturing**

General Electric-Hangwei

**Biomedicine** Sanofi

**Science and technology culture** Tesla

**High-end service industry** J. P. Morgan

# Changsha National High-tech Industrial Development Zone

Changsha is the capital of Hunan Province, putting it within reach of many of central China's major cities. It sits at the intersection of the Yangtze Economic Belt and the South China Economic Circle, therefore plays a significant role as a point of market contact for goods and services from both the Pearl River Delta and the Yangtze River Delta.



**City population** 7.9 million  
**City area** 11,800km<sup>2</sup>

**Opening date** 1988  
**GDP** £123 billion  
**GDP per capita** £15,743  
**Number of foreign companies** 200  
**Average salary of a skilled labourer** £5,580 p.a.  
**Average salary of a manager** £11,160 p.a.  
**Average salary of a director** £20,928 p.a.

## Key policies

- A subsidy of RMB 4,000 (£465) is awarded to enterprises in the zone for each relevant patent applied for that reaches a substantive examination stage, rising to RMB 6,000 (£698) if the patent is then approved, with annual subsidies limited to RMB 200,000 (£23,000) per enterprise unless the enterprise's income or taxable output exceeds RMB 100 million (£11.6 million) in the year of the award;
- A subsidy of RMB 50,000 (£5,800) is awarded to an enterprise in the zone for each relevant patent obtained from other countries and regions, including Europe the United States, Canada, Japan, and Australia, with total annual subsidies limited to RMB 250,000 (£29,000) per patent and the annual subsidy given to one enterprise limited to RMB 1 million (£116,000).

**Zone location** 668 Lugu Avenue, Lu Valley, Changsha, Hunan, China

**Railway stations (Distance from zone)**

- 1 Changsha Railway Station (14km)
- 2 Changsha South Railway Station (25km)
- 3 Changsha West Railway Station (12km)

**Airports (Distance from zone)**

- 4 Huanghua International Airport (37km)

**Ports (Distance from zone)**

- 5 Changsha Xianing Port (20km)

**Automotive** GAC Fiat Chrysler, Volkswagen, Bosch, and Continental AG

**Financial and professional services** HSBC, Standard Chartered, CitiBank, Ernst & Young, PwC, KPMG, and Deloitte

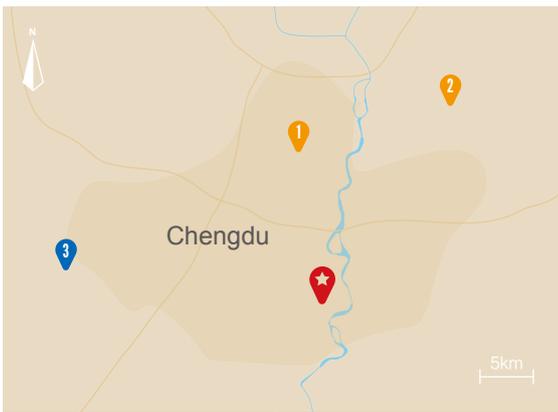
**Advanced engineering machinery** Hunan Frutiger Machinery Equipment Co Ltd and Hunan Cifa Engineering Machinery Co Ltd

**New materials** Honeywell Boyun Aerospace Systems (Hunan) Co Ltd

**Biomedicine** Fresenius Kabi Jianyuan (Changsha) Medical Technology Co Ltd

# Chengdu Tianfu Software Park

The capital of Sichuan Province, Chengdu is one of the most populous cities in western China. Chengdu is western China's centre of commerce, finance, communications, and technology. It is also a city with a large international presence; having over 250 Fortune 500 companies that have established offices there.



**City population** 16 million  
**City area** 12,390km<sup>2</sup>

**Opening date** 2005  
**GDP** £162 billion  
**GDP per capita** £10,106  
**Number of foreign companies** 180  
**Average salary of a skilled labourer** £11,160p.a.  
**Average salary of a manager** £10,284 p.a.

**Zone location** 801 Middle Tianfu Avenue, Wuhou District, Chengdu, Sichuan Province

**Railway stations (Distance from zone)**

- 1 Chengdu South Railway Station (7km)
- 2 Chengdu East Railway Station (18km)

**Airports (Distance from zone)**

- 3 Shuangliu International Airport (22km)

**ICT** Intel, IBM, and Thoughtworks

**Automotive** FAW–Volkswagen

**Food&Drinks** Unilever

**Equipment Manufacturing** Siemens, Sigma Precision Components, and Gardner Aerospace

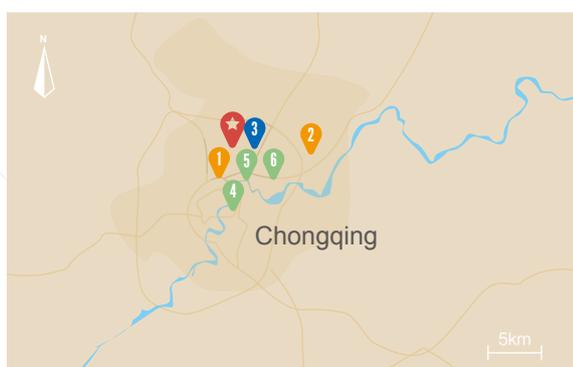
**Bio-pharmaceutical** Bayer and Sanofi

## Key policies

- Policies targeting the precision medicine industry support enterprises that operate in the following precision medicine fields: biological information analysis, the application of genetic engineering technology, new drug R&D, the production of precision medicine-related instruments and equipment, mobile health care, and the application of medical big data;
- Policies targeting the virtual reality industry support enterprises that operate in the following virtual reality fields: wearable equipment, smart phones, intelligent data terminals, key parts and material R&D; 3D scene-generation software; virtual games, and industrial simulations.

## Chongqing Liangjiang New Area

Located within Chongqing's main urban districts, Liangjiang New Area is made up of Jiangbei, Yubei, and Beibei districts, the North New Zone, and the Lianglu Cuntan Bonded Port Area. Situated in the heart of Chongqing, Liangjiang New Area is home to three vital transport hubs, China's fourth-largest international airport, one of China's largest inland river ports, and the meeting point of eight railway lines.



**City population** 30.8 million  
**City area** 1,200km<sup>2</sup>

**Opening date** 2011  
**GDP** £227 billion  
**GDP per capita** £7,406  
**Average salary of a skilled labourer** £5,116p.a.  
**Average salary of a manager** £12,791 p.a.  
**Average salary of a director** £126,115 p.a.

**Automotive** Ford, General Motors Corporation, Iveco, Honda, Johnson Control, Renault, Mazda, Suzuki, and Volvo  
**High-end manufacturing** Pilatus PC 6 Airplanes, and Enstrom Helicopter Corporation  
**Electronic components** AT&S, HP, Ericsson, Acer, Microsoft, Visteon Corporation, and Honeywell  
**Services** Jardines and Raffles Medical Group

### Key policies

- Foreign-invested enterprises are able to open a bank account for foreign exchange business, and an overseas legal person or natural person may apply for the establishment of a temporary foreign exchange account for the establishment of foreign-invested enterprises;
- Corporate income tax is levied at a reduced rate of 24% for productive foreign-invested enterprises, and if the enterprise's operational period is longer than 10 years it will not be required to pay income tax for the first and second year profit-making years, while income tax will be levied at 50% of the usual rate in the third to fifth years.

**Zone location** Three administrative areas in Chongqing: Jiangbei District, Beipei District and Yubei District

**Railway stations (Distance from zone)**

- 1 Chongqing North Railway Station (7km)
- 2 Fusheng Railway Station (32km)

**Airports (Distance from zone)**

- 3 Jiangbei International Airport (19km)

**Ports (Distance from zone)**

- 4 Chao Tian Men Port (15km)
- 5 Cuntan Port (5km)
- 6 Chongqing Orchard Port (32km)

## Guangzhou Development Zone

Guangzhou is the coastal capital of Guangdong Province, located just north-west of Hong Kong. It is a major port in south China and is one of China's most important trading and transportation hubs. Guangzhou's industrial manufacturing and research capabilities are among the best in China and the Guangzhou ETDZ was one of the first established in China, in 1982.



**City population** 14.5 million  
**City area** 7,434km<sup>2</sup>

**Opening date** 1984  
**GDP** £250 billion  
**GDP per capita** £17,246  
**Number of foreign companies** 3,494  
**Average salary of a skilled labourer** £5,580 p.a.  
**Average salary of a manager** £11,160 p.a.  
**Average salary of a director** £27,912 p.a.

### Key policies

- Annual subsidies of RMB 300,000 (£34,900) are available for industrial associations in the zone that serve the advanced manufacturing or modern service industries, that are legally registered and established, and that carry out activities according to the relevant articles of association;
- A one-off payment of RMB 1 million (£116,000), RMB 500,000 (£58,000), or RMB 200,000 (£23,000) is available for E-commerce demonstration enterprises or parks recognised by national, provincial, or municipal commercial departments, respectively;
- Settlement payments of RMB 400,000 are available to high-tech enterprises settling in the zone.

**Zone location** Guangzhou Development District, Huangpu District, Guangzhou, Guangdong Province

**Railway stations (Distance from zone)**

- 1 Guangzhou East Railway Station (30km)
- 2 Guangzhou South Railway Station (48km)
- 3 Guangzhou Railway Station (43km)

**Airports (Distance from zone)**

- 4 Guangzhou Baiyun International Airport (57km)

**Ports (Distance from zone)**

- 5 Huangpu New Port (1km)
- 6 Dongjiang Port (2km)
- 7 Guangbaotong Port (3km)

**IT** Jabil, Sony, Omron, and Samsung

**Chemicals** P&G, Amway, LG Chemical, Colgate-Palmolive, and Evatane

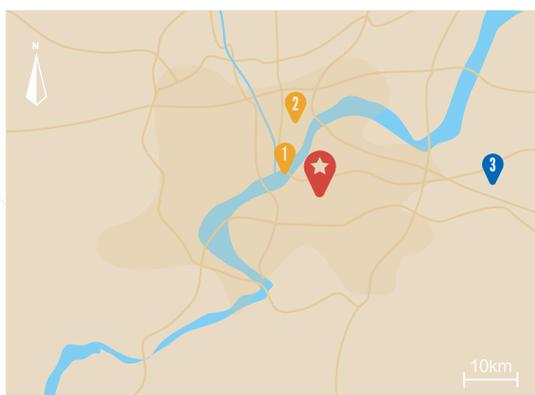
**Auto and auto parts** Honda, Toyota, Jatco, Stanley Electric, and NTN

**Food and drink** Meiji, Yakult Honsha, PepsiCo, Wrigley Company, and Nestlé S.A

**Biomedical** GE, Thermo Fisher Scientific, Bayer, Baxter International, and Biothera

## Hangzhou Hi-Tech Industry Development Zone

Hangzhou is the most populous city in coastal Zhejiang Province. Since opening up in 1992, it has experienced rapid growth and increasing prosperity. It is the southernmost city along the Grand Canal of China and today boasts the headquarters of E-commerce platform Alibaba. In 2022 it will host the Asian Games.



**City population** 9.5 million  
**City area** 16,596km<sup>2</sup>

**Opening date** 1990  
**GDP** £147 billion  
**GDP per capita** £15,652  
**Number of foreign companies** 627

### Key policies

- Rewards for newly established enterprises involving in certain encouraged industries with an input registered capital above USD 5 million (£3.8 million), which vary according to the enterprise's tax contribution, and which are to be used for company development;
- Rental subsidies for newly established enterprises involving in certain encouraged industries, for the first three years;
- R&D input subsidies for technologically innovative projects that have received large investments.

**Zone location** 100 Jiangnan Road, Binjiang District, Hangzhou, Zhejiang Province

#### **Railway stations (Distance from zone)**

- 1 Hangzhou Railway Station (5km)
- 2 Hangzhou East Railway Station (9km)

#### **Airports (Distance from zone)**

- 3 Hangzhou Xiaoshan International Airport (22km)

#### **Ports (Distance from zone)**

- Port of Ningbo (198km, not shown)
- Port of Shanghai (181km, not shown)

**Network communication equipment:** H3C, Huawei, and MacroSAN

**Information software:** Insigma Technology Co, Hundsun, and Enjoyor

**Internet of things, System integration:** Hikvision, Supcon, Dahua, and Uniview

**E-commerce:** Alibaba, Tootle, and NetEase

**Health:** Sanofi, Tigermed, and Centrillion

## Nanjing Economic and Technological Development Zone

Located in the Yangtze River Delta, Nanjing has long been one of China's most important cities, once serving as the nation's capital. Today Nanjing's economy is dominated by service industries such as tourism and finance. The Nanjing ETDZ is located in the north-eastern suburbs of Nanjing and is well connected to China's river and railway network.



**City population** 8.3 million  
**City area** 6,587km<sup>2</sup>

**Opening date** 1992  
**GDP** £136 billion  
**GDP per capita** £17,885  
**Number of foreign companies** 475  
**Average salary of a skilled labourer** £6,512 p.a.  
**Average salary of a manager** £19,535 p.a.  
**Average salary of a director** £34,884 p.a.

### Key policies

- Favourable land usage policies are in place and are judged on a case-by-case basis.

**Zone location** 100 Xingang Avenue, Nanjing, Jiangsu Province

**Railway stations (Distance from zone)**

- 1 Nanjing Railway Station (15km)
- 2 Nanjing South Railway Station (35km)

**Airports (Distance from zone)**

- 3 Nanjing Lukou International Airport (50km)

**Ports (Distance from zone)**

- 4 Longtan Port (25km)

**New electronic information**

**Green smart cars**  
**Biomedical and energy-saving new materials**  
**Software and information services**

## Qingdao National Hi-tech Development Zone

Qingdao is located on the south side of the Shandong Peninsula, making it one of the closest cities in China to South Korea. Although not a provincial capital, Qingdao is still a major economy in China and an important port within the Asia-Europe, Asia-America, and Asia-Australia shipping routes. Recently this zone has developed rapidly, and now plans to become an eco- technological centre.



**City population** 9.3 million  
**City area** 63.44km<sup>2</sup>

**Opening date** 1992  
**GDP** £128 billion  
**GDP per capita** £13,879  
**Number of foreign companies** 175  
**Average salary of a skilled labourer** £5,472 p.a.  
**Average salary of a manager** £8,268 p.a.  
**Average salary of a director** £27,912 p.a.

### Key policies

- A special rental subsidy is available for areas of less than 200m<sup>2</sup> for enterprise settlement incubators and crowd innovation spaces, and for areas of less than 1,000m<sup>2</sup> for enterprise settlement accelerators;
- A special subsidy of up to RMB 500,000 (£58,000) is available to incubation carriers that clearly attract investment and cultivate projects;
- There is a special fund for international scientific and technological cooperation, which can grant financial support of RMB 500,000 (£581,000) to international innovation parks and international joint research centres.

**Zone location** Chuangye Building, 1 Zhilidao Lu, Qingdao, Shandong Province

**Railway stations (Distance from zone)**

- 1 Qingdao North Railway Station (18km)
- 2 Hongdao Railway Station (8km)
- 3 Qingdao Railway Station (33km)

**Airports (Distance from zone)**

- 4 Qingdao Liuting International Airport (18km)
- 5 Qingdao-Jiaodong International Airport (25km)

**Ports (Distance from zone)**

- 6 Dongjiakou Port (113km)
- 7 Qianwan Port (47km)

**Equipment manufacturing** Edwards and Recaro

**Services** Standard Chartered Plc and Maersk

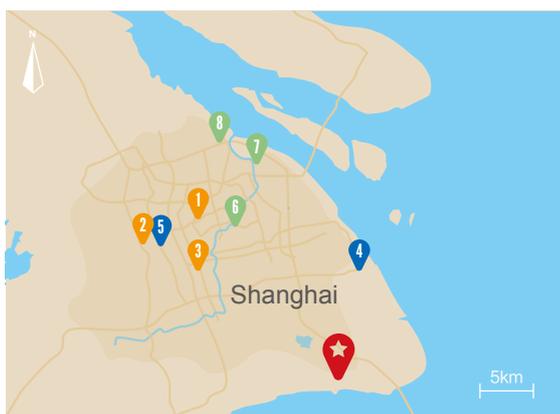
**Intelligent manufacturing and new materials** Rhodia

**Bio-pharmaceuticals** Genova Inc

**Marine products**

## Shanghai Fengxian Economic Development Zone

The Shanghai Fengxian Economic Development Zone is located in Fengxian District on the south coast of Shanghai and focuses on the hi-tech sector. It is made up of the Shanghai Comprehensive Industrial Development Zone and the Fengxian Modern Agriculture Park. The Shanghai Minhang Export Processing Zone is based within the Shanghai Comprehensive Industrial Development Zone.



**City population** 24 million  
**City area** 6,341km<sup>2</sup>

**Opening date** 2006  
**GDP** £356 billion  
**GDP per capita** £14,488  
**Number of foreign companies** 250

### Key policies

- There are rewards for settled enterprises that make annual tax payments of at least RMB 1.5 million (£174,000).

 **Zone location** Fengxian District, Shanghai

 **Railway stations (Distance from zone)**

-  Shanghai Railway Station (47km)
-  Shanghai Hongqiao Railway Station (40km)
-  Shanghai South Railway Station (33km)

 **Airports (Distance from zone)**

-  Shanghai Pudong International Airport (61km)
-  Shanghai Hongqiao International Airport (40km)

 **Ports (Distance from zone)**

-  Yangshan Deep-Water Port (85km)
-  Jungong Road Port (63km)
-  Baoshan Port (70km)

**Advanced Engineering** RMI Pressure Systems Ltd

**Electrical** Shanghai GE Guangdong Co Ltd

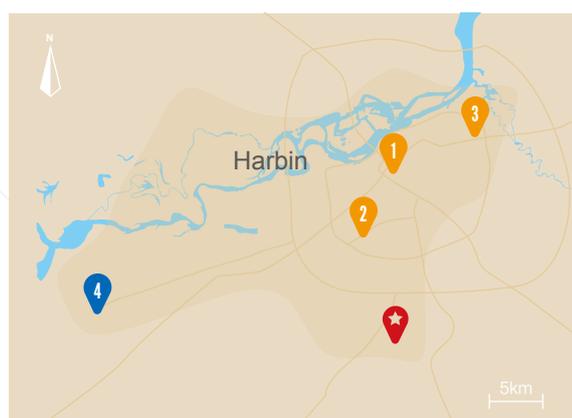
**Automotive manufacturing** General Motors and Volkswagen

**Financial services** HSBC and Lloyds Insurance Company

**Hospitality and tourism** Radisson, Hilton, and Marriott

## Harbin Economic and Technological Development Zone

Located far in the north-east, Harbin is one of the coldest cities in China. It is a gateway to cross-border trade with Russia, as well as an industrial hub in its own right. The capital of Heilongjiang Province, Harbin boasts the largest economy in the region, based on its expertise in agriculture, textiles, and manufacturing.



**Zone location** 2 West Xinjiang Road, Harbin, Heilongjiang Province

**Railway stations (Distance from zone)**

- 1 Harbin Railway Station (23km)
- 2 Harbin West Railway Station (21km)
- 3 Harbin East Railway Station (28km)

**Airports (Distance from zone)**

- 4 Harbin Taiping International Airport (41km)

**City population** 9.6 million

**City area** 10,198km<sup>2</sup>

**Opening date** 1991

**GDP** £87 billion

**GDP per capita** £9,834

**Number of foreign companies** 1000

**Average salary of a skilled labourer** £8,376 p.a.

**Average salary of a manager** £16,740 p.a.

**Average salary of a director** £34,884 p.a.

**High-end equipment** Hafei and Airbus

**Pharmaceutical and food** AB-Inbev, Brewery, Botian Sugar Co Ltd, and ABNA Harbin

**Information and Cloud computing** Towngas Telecom Harbin Data Centre

### Key policies

- Financial support of RMB 1 million (£116,000), RMB 2 million (£233,000), or RMB 5 million (£581,000) is available for newly-established foreign-funded enterprises with paid-in registered capital above USD 10 million (£7.7 million), USD 50 million (£38.5 million), or USD 100 million (£76.9 million), respectively;
- Financial support is available for newly-registered enterprises operating in such industries as aviation, automobiles, robots, and green food, and which contribute more than RMB 1 million (£116,000) to economic development of the zone in the given year, and also to newly-registered enterprises operating in such industries as the new generation of information technology, and which contribute more than RMB 500,000 (£58,000) to economic development of the zone in the given year.

## Shenzhen Tian'an Cyber Park

Since 1979, Shenzhen has been transformed from a small border town with a population of around 30,000 to a metropolis of over 10 million people. It is mainland China's closest city to Hong Kong and is famous for its thriving container port. Shenzhen became China's first Special Economic Zone in 1980, and has since been heralded as the country's biggest free trade zone.



**City population** 12.5 million  
**City area** 1,997km<sup>2</sup>

**Zone location** Tian'an Cyber Park, Futian District, Shenzhen, Guangdong Province

**Railway stations (Distance from zone)**

- 1 Shenzhen Luohu Railway Station (9km)
- 2 Shenzhen Futian Railway Station (3km)
- 3 Shenzhen North Railway Station (9km)

**Airports (Distance from zone)**

- 4 Shenzhen Bao'an International Airport (24km)

**Ports (Distance from zone)**

- 5 Shenzhen Yantian Harbour (30km)

**Opening date** 1990

**GDP** £262 billion

**GDP per capita** £21,294

**Average salary of a skilled labourer** £11,648 p.a.

**Average salary of a manager** £58,140 p.a.

**Average salary of a director** £116,279 p.a.

**Finance** HSBC, Standard Chartered, UBS, Citibank, and JP Morgan Chase & Co

**High-tech** Arm Holdings, Microsoft, eBay, Apple, Intel, Qualcomm, Airbnb, Medtronic, SAP SE, and SAS

**Culture and creative** Disney

**Modern logistics** DHL, UPS, Lufthansa Cargo, and Maersk

**Manufacturing** BP, British Gas, Airbus, Valeo, Tesla, Siemens, ABB Group, and TÜV Rheinland

### Key policies

- Foreign-funded enterprises, including Chinese-foreign equity joint ventures, Chinese-foreign contractual joint ventures, and other foreign-funded enterprises, enjoy the same treatment as Chinese-funded enterprises;
- VAT rates have been simplified and the scope of corporate income tax concessions for small and micro enterprises has been expanded;
- Nobel Prize winners, winners of globally influential awards, academicians belonging to academies of science or engineering, and other such prestigious people, can receive subsidies of RMB 7 million (£814,000) or a 200m<sup>2</sup> apartment.

## Xi'an Hi-tech Industries Development Zone

The oldest of China's former capitals, Xi'an has been a centre of commerce since the creation of the Silk Road. Lying at the confluence of eight rivers, it forms one corner of the West Triangle Economic Zone. Home to the Terracotta Army, it is not only Xi'an's tourist industry that is booming: manufacturing, software, and R&D have all made significant contributions to its growth.



**City population** 9.6 million  
**City area** 10,097km<sup>2</sup>

**Opening date** 1991  
**GDP** £87 billion  
**GDP per capita** £9,834  
**Number of foreign companies** 1,000  
**Average salary of a skilled labourer** £8,376 p.a.  
**Average salary of a manager** £16,740 p.a.  
**Average salary of a director** £34,884 p.a.

### Key policies

- Industrial enterprises with an annual output of RMB 20-100 million (£2.3-11.6 million) and a growth rate exceeding 25% can receive RMB 200,000 (£23,000), and a further RMB 3,000 (£349) for each additional percentage point of growth;
- Industrial enterprises with an annual output of RMB 100 million-1 billion (£11.6-116 million) and a growth rate exceeding 20% can receive RMB 500,000 (£58,000), and a further RMB 8,000 (£930) for each additional percentage point of growth;
- Industrial enterprises with an annual output above RMB 1 billion (£116 million) and a growth rate exceeding 15% can receive RMB 1 million (£116,000), and a further RMB 10,000 (£1,163) for each additional percentage point of growth.

**Zone location** 1 Jinye Road, Xi'an, Shaanxi Province

#### **Railway stations (Distance from zone)**

- 1 Xi'an Railway Station (15km)
- 2 Xi'an South Railway Station (30km)
- 3 Xi'an North Railway Station (25km)

#### **Airports (Distance from zone)**

- 4 Xi'an Xianyang International Airport (46km)

#### **Ports (Distance from zone)**

- 5 Xi'an International Trade & Logistics Park (38km)

**Aerospace** XRA (Rolls-Royce & XAE JV), Snecma, Avio, and Parker

**Finance and professional services** HSBC, Standard Chartered, Ernst & Young, PwC, KPMG, and Deloitte  
**Equipment manufacturing** ABB Group, and Schneider  
**Software and IT** Oracle, Intel, and Emerson

# Ningbo Hangzhou Bay Economic and Technological Development Zone

Ningbo is a sub-provincial city in Zhejiang Province. It is the economic centre and the base of advanced manufacturing in the southern Yangtze River Delta.



**City population** 6 million  
**City area** 9,816 km<sup>2</sup>

**Opening date** 2010

**GDP** £114.5 billion

**GDP per capita** £19,182

**Number of foreign companies in the zone** 165

**Total FDI to date RMB** 30.6 billion (£3.6billion)

**Average salary of a skilled labourer** £6,279 p.a.

**Average salary of a manager** £11,163 p.a.

**Average salary of a director** £25,116 p.a.

## Key policies

- Subsidies for enterprises operating within intelligent terminal industries, including subsidies for renting, decoration, equipment, and land (house) acquisition, are available;
- Financial incentives are available, based on sales, and exports, as well as whether the enterprise is listed;
- A special fund of has been set up for industrial development, as has an export rebates fund, worth RMB 200 million ();  
Supporting incentives are available for projects that are part of Ningbo's 3315 programme.

**Zone location** Ningbo Hangzhouwan Economic and Technology Development Zone, Ningbo, Zhejiang Province

### Railway stations (Distance from zone)

- 1 Yuyao North Railway Station (20km)
- 2 Ningbo Railway Station (64km)

### Airports (Distance from zone)

- 3 Ningbo Lishe International Airport (54km)
- 4 Shanghai Hongqiao International Airport (150km)
- 5 Hangzhou Xiaoshan International Airport (67km)

### Ports (Distance from zone)

- 6 Ningbo Zhoushan Port (67km)
- 7 Shanghai Port (160km)
- 8 Jiaxing Zhapu Port (40km)

**Automobile** Volkswagen, Faurecia, and Johnson Control  
**Equipment** Phase and Eaton Cooper  
**Household appliances** Unilever



## Sino-Italy Ningbo Ecology Park

Ningbo is a historic cultural city that, in today's China, acts as a gateway to the world. Its port is its greatest resource, while its degree of openness is the biggest advantage it offers.



**City population** 6 million  
**City area** 9,816km<sup>2</sup>

**Opening date** 2015  
**GDP** £114.5 billion  
**GDP per capita** £19,182  
**Number of foreign companies in the park** 6  
**Total FDI to date** USD 100 million (£76.9 million)  
**Average salary of a skilled labourer** £6,279 p.a.  
**Average salary of a manager** £11,163 p.a.  
**Average salary of a director** £25,116 p.a.

 **Zone location** 28 Xingbin Road, Yuyao, Ningbo, Zhejiang Province

 **Railway stations (Distance from zone)**

 Yuyao North Railway Station (21km)

 **Airports (Distance from zone)**

 Ningbo Lishe International Airport (80km)

 Shanghai Pudong International Airport (180km)

 Shanghai Hongqiao International Airport (150km)

 Hangzhou Xiaoshan International Airport (100km)

 **Ports (Distance from zone)**

 Ningbo Zhoushan Port (70km)

 Shanghai Port (170km)

**Automobile** Magna Seating Inc, Antolin Group, JAC Technology, Martinrea China Holdings Inc, and Hera Group

### Key policies

- Machinery subsidies are available for enterprises, based on investment in new equipment;
- Up to five core team members from an enterprise can be eligible for personal income tax rewards;
- Financial incentives are available for enterprises relocating from other zones;
- Following a fiscal year, the portion of annual business tax retained by the zone (value-added tax and corporate income tax) can be awarded.



## Insights from KPMG



Ms Yu Ying is a partner at KPMG, one of the world's largest professional services providers, working in its Government & Public Service department. Here, she shares her insights on operating within the various economic zones in China.

The continued reform, innovation, and differentiation of Pilot Free Trade Zones ("PFTZs"), increasing the pressure they are subjected to in testing, and developing experimental fields for them to operate in are all essential in helping China adapt to globalisation. It is necessary for these PFTZs to consider the next stage of their development more closely, primarily in accordance with factors including locational advantage and industrial orientation.

### Challenges and responses of different development paths

In terms of selecting a development pathway, Ms Yu says that China's PFTZs consider institutional innovation to be the core task at hand: looking at established PFTZs, it can be seen that there are three main types of development orientation: first, those

that optimise the business environment using an inclusivity-based system of innovation; second, those that cultivate key industries using a preference-based system of innovation; and third, those that deepen regional cooperation using a reciprocity-based system of innovation.

In optimising the business environment, it is important to employ the inclusivity-based system of innovation, which is the preferred choice for many PFTZs. Examples of where this system is used include in zones focusing on the reform of commercial registration systems, the construction of after-the-event supervision systems, the innovation of financial products and services, and the transformation and facilitation of trade supervision methods. In contrast, some PFTZs employ the preference-based system of innovation in order to cultivate key industries. The reciprocity-based system of innovation, on the other hand, is used in PFTZs that rely on regional cooperation.

However, each of these three pathways presents their own problems, Ms Yu says. The inclusivity-based system of innovation is homogeneous and shallow, while the attention paid to the preference-based system of innovation is not sufficient, and the role of PFTZs in promoting development through reform has not been fully realised. In addition, the reciprocity-based system of innovation awaits development, while the shared systems, resources, and markets in both larger regions and the Greater Bay Area do not yet meet expectations.

Her analysis also points out that almost every PFTZ is exploring the facilitation of commercial registration, and the time taken to complete this registration process is shortening as they compete.

"Most of the achievements in innovation are thanks to the use of information technology, which can simplify procedures, and process reengineering. In fact, optimising the pure reengineering workflow can be achieved without requiring the title of '(Pilot) Free Trade Zone'. It is not enough to simply highlight the role of PFTZs as new places of reforms and opening up, nor can this make stakeholders operating in PFTZs consider them to be superior business environments," she believes.

Ms Yu also points out that the preference-based system of innovation has not yet received enough attention, and only certain PFTZs that possess key industrial bases and important functional platforms have been considered. At present, only industries relevant to financial leasing, oil products, biomedicine, and trade in services, as well as the “one-form system” of the China-Europe railway line, have made institutional breakthroughs.

In fact, the 12 listed PFTZs in China possess different industrial features and development bases, and are developing a range of major projects, while innovation can be driven by very specific business needs as well as project needs, and can bolster industrial development and project implementation.

Furthermore, Ms Yu believes that the scope and depth of the reciprocity-based system of innovation needs to be further strengthened. For example, the Guangdong PFTZ can extensively analyse the “glass door” and “spring door” phenomena that exist within the Closer Economic Partnership Arrangement between mainland China and Hong Kong, as well as support systemic reform and innovation. This PFTZ can take the lead in opening up the telecommunication networks and Internet in the Greater Bay Area, such as by removing or relaxing Hong Kong and Macau’s qualification requirements, sharing ratio restrictions and business access restrictions for capital entering the financial services market.

### **Global free trade zones continue to be transformed and upgraded**

Which international free trade zones and free port development experiences can China draw lessons from? Ms Yu believes that several core features of international free trade zones can be used for reference.

First, free trade zones can attract international companies unfamiliar with the institutional environment of China; they should act as buffers and transitional zones for both economic policies and different cultural environments. Second, free trade zones focusing on a particular industry can achieve significant economic development, master specific technologies, boost professionalism in services, and further enhance local competitiveness. Third, free trade zones can enhance cooperation between multinational and Chinese companies. Fourth, free trade zones can reduce the cost of waiting for evidence approval and inspection procedures. “For Chinese companies, the existence of free trade zones is beneficial, in that they allow for the avoidance of additional inventory costs incurred as a result of a lengthening delivery cycle on an overseas

supplier’s side. Each free trade zone can examine and evaluate itself based on these characteristics”, she says.

Ms Yu emphasises that “global free trade zones were not constructed overnight, and they continue to be transformed and upgraded. Domestic PFTZs should pay attention to the direction and route of this transformation”.

In the late 20<sup>th</sup> century, global free trade zones moved from being port economies to being involved in financial insurance, logistics warehousing, high-tech industries, and other industries, forming a development model that combines port area integration with the modern service industry. The Port of London has vigorously developed its upstream high-end service industry, thereby forming an agglomeration of shipping services that converged, became established, and extended throughout the free trade zone, gradually forming a set of market rules to make it the premier international shipping centre. China’s PFTZs can also nurture emerging economies and new business models: they have advantages in forming complete industrial ecosystems, gathering Chinese and international talent, facilitating the flow of capital, information, and technology, and creating regional, national, and international centres of innovation, operations, index, and pricing.

# Professional Insights

## Insights from CBBC



Mark Xu is CBBC's China-based sector lead for Advanced Manufacturing and Transportation. Here, he provides his insights regarding operations in the differing zones that China has to offer.

### Value of land

Traditionally, international companies - especially UK companies - tend to favour renting factory facilities as this gives them greater flexibility. In addition, this involves a lower level of initial investment than purchasing land to build on. However, some developing zones offer land to companies in desired sectors, which could prove extremely valuable once fully developed.

### Comparisons and negotiations

It is common practice for companies to consider various options and compare them. The types of offer given to companies by development zones are almost always decided on a case-by-case basis, so it is important to speak directly to the local government and ask what it can provide above and beyond any standard offers. Companies should also let local officials know that they are also speaking with other regions and mention the offers that they have already received from elsewhere.

### Changes to international employment regulations

In early 2019, China tightened regulations and policies concerning the issuing of work visas to international personnel, a change particularly apparent in Beijing and Shanghai. At the same time, the requirement for people from Taiwan, Hong Kong, and Macau to have a work permit to work in most major mainland Chinese cities was scrapped. Companies should monitor the latest employment regulations of the city in which they would like to set-up, as this can vary across different regions of China, and sometimes within a single region as well.

### Utility supply

It is particularly important for any new building site to make sure that all utilities, such as those for water, waste water, gas, steam, electricity, and the Internet, are either already connected to the site or accessible within a reasonable distance, as this could have a significant impact on the set-up costs if not adequately managed or planned.

### Labour supply

Industries depending on intensive manual labour should understand the make-up of the local workforce. A high percentage of urban populations are made up of people originally from rural regions and as a result many workers, especially manual workers, are not from where they are working. It is necessary to make sure that a workforce will return to work after the Chinese New Year, as it is often the case that they do not return to the cities they left before the holiday.

### Local empowerment

Although many UK companies still try to manage their China operations from the UK with one or two visits a year, this type of arrangement is generally neither efficient nor effective. CBBC recommends that senior UK management either spend more time in China to fully understand the market environment, or empower China-based staff with the authority to take decisions themselves.

For more information and insights, please contact Mark Xu: [Mark.Xu@cbbc.org.cn](mailto:Mark.Xu@cbbc.org.cn), +86 (0) 10 8525 1111 Ext. 391

## Encyclo Water (Modern Water)

Encyclo Water Technology is a joint venture between the Chinese company Hangzhou Shangtuo Environmental Technology Co Ltd (trading as Sunup) and the UK company Modern Water Plc. It combines Modern Water's focus on promoting brine concentration technology throughout China with Sunup's environmental technology, which integrates water and wastewater solutions for industrial clients. This strong partnership is continuing to champion energy efficient technology, which is in high demand in China as a result of increasing environmental consciousness. It was officially established in the Changxing Economic Development Zone on 5<sup>th</sup> December 2018.

### **Why did your company choose the Changxing Economic Development Zone to operate in?**

Our local partner was based in this zone, and they had the best policies. It is also near our Shanghai HQ, which will only be 45 minutes away by high-speed train once the new route is completed.

### **Had your company had any experience doing business in China before establishing itself in the Changxing Economic Development Zone? If so, how did that influence your company's choice of setting itself up in the Changxing Economic Development Zone?**

Yes, before we officially entered China, we had a distributor in China looking after our in-country business. We also used CBBC's Launchpad service before setting up a WFOE.

### **Of the preferential economic and legal policies targeted at international investors, which ones has your company benefitted most from? And, which have been less relevant?**

Subsidies and free office space have greatly reduced our overhead costs. The "Two Free, Three Halved" policy is also favourable: when a joint venture company pays company income tax, in the first two years of operations it enjoys a 100% tax exemption, then for the following three-year period it enjoys a 50% exemption each year.

Some existing policies, such as those relating to HR, are difficult to understand. There is also a requirement for social benefits to be kept in the zone, which very few employees are willing to change. Attracting talented people to work in Changxing or in other development zones is a problem. For example, if a person pays social security in Changxing, they then cannot settle in Shanghai or Hangzhou, so they are reticent to work in Changxing.

### **What new policies would your company most benefit from?**

A new policy to improve the existing registration process, especially for foreign companies, would greatly benefit our company. The current process remains very complicated and often requires numerous visits. In addition, the clarification of some of the existing policies would be beneficial, as some are vague and difficult to understand, most likely a result of the policy makers' lack of experience dealing with foreign companies.

### **What has your company's experience of working with China's Customs authorities been like?**

In general, Chinese customs are becoming increasingly strict with imported goods, and after the merging of customs and commodities inspection this year, many of our goods have been held up.

### **What were the main financial challenges your company faced when setting up in the Changxing Economic Development Zone?**

The local zone requests that the registered capital is in place as soon as possible; however, there is not an international bank within the zone.

### **What were the main practical challenges your company faced setting up in the Changxing Economic Development Zone?**

In the HR department there is a lack of qualified staff, as people tend to prefer working in larger cities.

### **Aside from carrying out all necessary research and due diligence, what advice would your company give to other companies looking to set themselves up in the Changxing Economic Development Zone?**

Work closely with your local partner to identify the most suitable location for both effective logistical facilities and a sufficient labour supply. It is also important to make sure that the offer you receive from the local government is in writing, as there tend to be a lot of management changes, and verbal offers may not reflect reality.

## Radio Design

Radio Design is a world leader in infrastructure-sharing radio frequency solutions, enabling many large network operators to achieve CAPEX and OPEX savings and maximum data throughput and capacity. In 2012, Radio Design opened its China manufacturing facility in Wuxi, Jiangsu Province and continues to succeed in the China market.

### **Why did your company choose to operate in the Xishan ETDZ?**

It has low rental costs, a mature supply chain, local talent, and domestic and international connectivity.

### **How would your company assess the logistical facilities available in the Xishan ETDZ?**

Wuxi is well connected to the rest of China and it even has its own airport. As a result, the logistical support is rapid and well-developed.

### **What has your company's experience of working with China's Customs authorities been like?**

At times, the experience has been confusing as there are no standard policies or defined processes in English for foreign companies to follow, which can often be frustrating and costly.

### **What were the main financial challenges your company faced when setting up in the Xishan ETDZ?**

Capital investment.

### **What were the main logistical challenges your company faced setting up in the Xishan ETDZ?**

At first, the equipment transfer from overseas for initial set up was held at customs for a long time and incurred significant charges. This delayed the start of our own project and meant we were also late supporting customer projects.

### **What were the main legal challenges your company faced setting up in Xishan ETDZ?**

The main challenges included difficulties in trademark registration and certain labour laws that are not very supportive of companies.

### **What were the main practical challenges your company faced setting up in the Xishan ETDZ?**

Recruiting and retaining a skilled workforce has been challenging. In addition, labour laws are not supportive of companies and we have found that policies are not defined clearly and fairly.

### **Aside from carrying out all necessary research and due diligence, what advice would your company give to other companies looking to set themselves up in the Xishan ETDZ?**

It is essential to have good relations with the local government. We would also advise getting to know a dedicated, honest, and loyal local person who can support the set up.



## Reckitt Benckiser Group (RB)

Reckitt Benckiser Group (“RB”) focuses on the research, testing, production, and marketing of health and hygiene-based products in nearly 200 countries. Its most well-known brands include Mead Johnson (infant formula), Durex (condoms), Dettol (antiseptics), Strepsils (cough medicines), Clearasil (skincare), and Veet (hair removal products). It has a strong presence in China including operations Qingdao Industrial Development Zone (“Qingdao IDZ”), which commenced in 1998.

### **Had your company had any experience doing business in China before establishing itself in the Qingdao IDZ? If so, how did that influence your company’s choice of setting itself up here?**

Our experience in China is extensive, but we wanted to choose a new region in which to operate. Our main considerations in choosing this area included its business environment, its rules and regulations, the high technical abilities of personnel within it, and the available support its environment provided for upstream and downstream industrial processes.

### **Of the preferential economic and legal policies targeted at international investors, which are the ones that your company has benefitted most from? And which have been less relevant?**

As far as our company’s kind of consumer goods are concerned, access to investment is generally not an issue. Our main considerations are still related to tax concessions.

### **What new policies would your company most benefit from?**

A lack of real access has become a sudden problem. Although the local government very much supports business investment, market access for products and production licensing can only be approved by the relevant ministry, and as such the local government does not have a say in this process. With regards to the Environmental Impact Assessment (“EIA”), its “one size fits all” approach is a headache and unscientific.

### **What has your company’s experience of working with China’s customs authorities been like?**

In the past several years there have been big improvements with customs. However, the main problems we have encountered are:

- 1) Difficulties in testing imported goods;
- 2) The fact that CIQ’s certificate for inspection and quarantine has not been made electronic. This should be done as soon as possible but presently has only been implemented in Shenzhen;
- 3) The rate of on-site food sampling (30%), which from a global point of view is very high;
- 4) The fact that products with documents that require examination to clear customs require seven days of processing. This is a long time, and theoretically this could be done within two days because there is no inspection process.



## Weir Group

One of the world's leading engineering companies, the Weir Group is a Glasgow-based engineering company which was founded in 1871. It has several main divisions: Weir Minerals, Weir Oil and Gas, and ESCO division, and is committed to providing resources to customers in a safe, natural, and sustainable manner, minimising its products' environmental impact.

### **When did your Chinese operations begin operating?**

Our Wuxi (Wuxi-Singapore Industrial Park, Jiangsu Province) Minerals plant started operations in 2006. We also began mineral manufacturing operations in Jiading, (Shanghai) in 2014. Weir China procurement hub ("WEPS") was established in 2016, servicing the global supply requirements of the group.

### **Why did your company choose to operate where it does?**

We set up our manufacturing facilities in Wuxi because we were able to benefit from government policy support, access to educated and skilled labour, convenient transportation links, and a promising economic environment. Choosing to operate in Wuxi was a result of us acquiring our plant in Jiading. WEPS is set up in the Shanghai Pilot Free Trade Zone ("PFTZ") and benefits greatly from the preferential policies. Our company operates internationally and the PFTZ allows us to trade without restriction and across multiple countries.

### **What other special zones (i.e. free trade zones, high development zones, bonded zones) is your company based in in China? What are the differences that your company has experienced between them?**

Our Wuxi operation is based in the local industrial zone, surrounded by other manufacturing plants. Our procurement hub (WEPS) is registered in the Shanghai PFTZ. Benefitting from this location, WEPS is able to receive orders from outside China, procure products in China, and finally ship products to other countries. This is cost-saving and efficient.

### **Had your company had any experience doing business in China before establishing itself in its current locations? If so, how did that influence your company's choice of setting itself up in its current locations?**

Yes, our company had experience doing business in China, which was helpful whilst setting up our current business operations. For example, it helped us when setting up our plant in Wuxi as we already had staff and suppliers nearby who were able to assist us in quickly engaging the Chinese market. Following a relatively good experience for WEPS, we received sufficient positive feedback in order to establish our current business operations in China.

### **How would your company assess the logistical facilities available at the locations your company is based in?**

Our plants are located in sites with easy access to transportation facilities, such as sea ports, highways, railways, and airports. However, our Jiading (Shanghai) plant is not close to either the highway or the nearest city. There is some concern that the manufacturing facilities may be located too far away from the city centre.

### **What were the main practical challenges your company faced setting up in the locations your company is based in?**

- Increasing environmental controls;
- Choosing a suitable plot of land for our operations: we needed to decide whether buying an already established plant or renting a new plant would be more suitable;
- The issue with registering our preferred company name.

### **Aside from carrying out all necessary research and due diligence, what advice would your company give to other companies looking to set themselves up in the locations your company is based in?**

It would be preferential for manufacturing businesses to establish themselves within industrial zones. Acquiring an existing local business, similar to your own, could be helpful for gaining access to local market resources, for example customers, labour, and suppliers.

## An Automobile Company

This well-known UK-based automotive manufacturer has a joint venture in Jiangsu Province, which is headquartered in the city of Changshu. It was the first Sino-British premium automotive joint venture and has a long history, dating back to the 1930s. It first began operations in China in 2012, and together with its Chinese partner, it has been extremely successful in its ventures and continues to develop its trade influence within the China market.

### **Why did your company choose Changshu ETDZ to operate in?**

Firstly, we chose somewhere between our two investors, which is also close to our Shanghai headquarters. Secondly, we see great potential in Changshu, as the local government is open to new ideas, and is trying to build a good environment for business.

### **What new policies would your company most benefit from?**

Greatly reducing the various taxes.

### **What were the main logistical challenges your company faced when setting up in Changshu ETDZ?**

The greatest difficulty is that currently there is no railway access for the factory. If a railway were to be connected to the factory, it would be very useful.

We also hope the freight cost of the China-Europe railway line will be reduced. As the freight train goes to Europe full and returns empty, the price is almost the same as that of sea freight. This means that the China-Europe freight train has no competitive advantage. Therefore we hope the government attempt to solve the competitive advantage problems associated with the China-Europe railway for enterprises.

### **How has the zone your company operates in changed during the time your company has been based there?**

The business environment provided by the Changshu government has gradually improved, particularly in regard to the level of service:

- Changshu ETDZ is a state-level development zone and offers fast and efficient registration procedures. The government has a strong sense of service;
- Changshu ETDZ is also very well organised. For example, before our factory was set-up, there wasn't another automotive OEM in the zone. Since we entered, five to six thousand new employees have been hired which also accounts for a further ten thousand people, if you include our supply chain partners in the region. As a result of this, the strains on local infrastructure, such as on housing, shops, and hospitals, all need addressing"
- The strategic planning pattern of the government is being improved and integrated into urban planning, especially in communication with enterprises. The government can cooperate with enterprise to create a more tailored urban planning structure;

### **Aside from carrying out all necessary research and due diligence, what advice would your company give to other companies looking to set themselves up in Changshu ETDZ?**

We suggest that the development zone set up some training institutions for blue-collar workers. As many new companies and suppliers have moved in, there are a large number of single young people in the development zone: we hope the government can consider how to create a healthy and safe living environment for all employees there.

The most important thing is to keep house prices low, so that many migrants can afford to live in the development zone. Meanwhile, an effective plan to arrange more bus lines, build more new schools, hospitals, and other facilities is also needed.

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# Contact CBBC

## CBBC's sector expertise

CBBC's expertise stretch across nine sectors; to find out more, please contact one of our sector leads below:

**Tom Simpson** Senior Director, Service Delivery (China), + Sector Head of Creative Industries & Sports

Tom.Simpson@cbbc.org.cn +86 (0) 10 8525 1111 Ext. 323

**Mark Xu** Advanced Manufacturing and Transportation

Mark.Xu@cbbc.org.cn +86 (0) 10 8525 1111 Ext. 391

**Yu Lin** Innovation and Technology

Yu.Lin@cbbc.org.cn +86 (0) 10 8525 1111 Ext. 314

**Jiawei Xu** Energy, Environment, and Infrastructure

Jiawei.Xu@cbbc.org.cn +86 (0) 21 3100 7900 Ext. 131

**Weifeng Ma** Financial and Professional Services

Weifeng.Ma@cbbc.org.cn +86 (0) 21 3100 7900 Ext. 147

**Wendy Wang** Healthcare and Life Sciences

Wendy.Wang@cbbc.org.cn +86 (0) 10 8525 1111 Ext. 214

**Isabel Xu** Education

Isabel.Xu@cbbc.org.cn +86 (0) 21 3100 7900 Ext. 121

**Demi Ping** Retail

Demi.Ping@cbbc.org.cn +86 (0) 10 8525 1111 Ext. 305

**Ran Guo** Food and Drink

Ran.Guo@cbbc.org.cn +86 (0) 10 8525 1111 Ext. 379

## CBBC UK Head Office (London)

3<sup>rd</sup> Floor, Portland House, Bressenden Place, London SW1E 5BH

enquiries@cbbc.org

+44 (0) 20 7802 2000

## CBBC China Head Office (Beijing)

The British Centre, Room 1001, China Life Tower, 16 Chaoyangmenwai Avenue, Beijing 100020

朝阳区朝阳门外大街 16 号 中国人寿大厦 1001 室 英中贸易协会北京代表处 邮编 100020

enquiries@cbbc.org

+86 (0) 10 8525 1111

## Other CBBC China Offices

**Shanghai** +86 (0) 21 3100 7900

**Hangzhou** +86 (0) 571 8763 1069

**Nanjing** +86 (0) 25 5231 1740

**Guangzhou** +86 (0) 20 8883 2120 Ext. 805

**Shenzhen** +86 (0) 755 8293 1443

**Chengdu** +86 (0) 28 8665 6302

**Chongqing** +86 (0) 23 6380 8670

**Wuhan** +86 (0) 27 8577 0082

**Changsha** +86 (0) 731 8228 1512

**Xi'an** +86 (0) 29 8535 7875

**Qingdao** +86 (0) 532 8386 9772

**Shenyang** +86 (0) 24 2334 1600

Contact all offices at enquiries@cbbc.org

## Launchpad services

Launchpad provides a simple, cost-effective, low-risk, and legal means of entering the China market. CBBC will employ a Launchpad Manager, dedicated to helping you take your business forward in China. For more information, please contact:

**Anne Zheng** Launchpad Service Director

Anne.Zheng@cbbc.org.cn +86 (0) 10 8525 1111 Ext. 700

### Report lead

Mark Xu

### Editorial team

Sam Demuyakor

Ben Rotheram

### Contributors

Eleanor Collard

Peter Grinsted

Mark Harrison

Sean Heath

Vikki Richardson

Charlotte Rumberg

Sam Snoxall

Lucy Stanhope

Hans Tai

Amy Wang

Torsten Weller

Jasmin Yang-Spooner

Charlie Zeng





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