Insight

CHINA & WTO REV. 2017:2; 411-414
http://dx.doi.org/10.14330/cwr.2017.3.2.11
pISSN 2383-8221 • eISSN 2384-4388

CWR
China and WTO Review

The New FTZs and the Renewed Negative List in China

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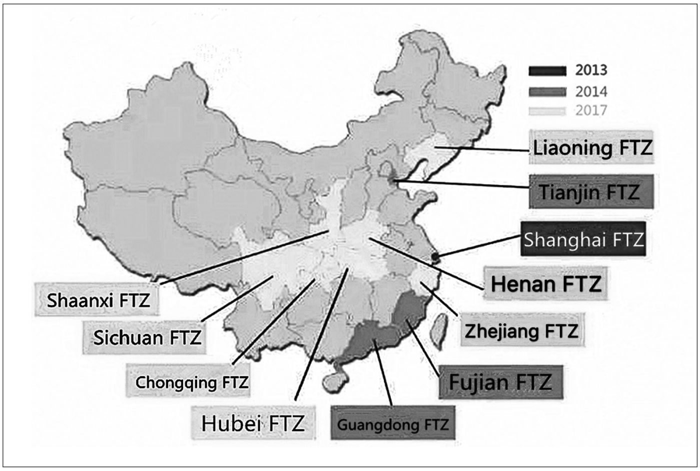
Opening New FTZs

Seven new free trade zones ("FTZs") were unveiled in China on April 1, 2017 by the State Council of China, bringing the total FTZs across the country to 11. These new zones are the third set of FTZs, locating in the provinces of Liaoning, Zhejiang, Henan, Hubei, Sichuan and Shaanxi together with Chongqing Municipality.[1] It combines registration, administrative services and custom services in one place.[2]

The expansion comes nearly four years after China launched its first FTZ in Shanghai in September 29, 2013. And in late 2014, Tianjin, Fujian and Guangdong were approved to set up the second group of FTZs.[3] The government hopes the new zones will play a pioneering role, replicating the success of previous trial. The FTZs zones should help promote the nation's key regional and inter-regional development strategies.[4]

Located at the junction of China's Silk Road and Yangtze River economic belts, the Chengdu International Railway Port, a vital part of the China (Sichuan) Pilot Free Trade Zone, is the backbone of the region's plan to establish a global logistics system and booming trade with countries along the route of the B & R Initiative, striving to be a center for international trade in Southwest China.[6]

Figure 1: Three Sets of FTZs in China[5]



Negative List

Setting up pilot FTZs is to test a broad range of economic reforms, including increased openness to foreign investment and fewer restrictions on capital flows.[7] Chinese Premier Li said in the Dalian FTZ, Liaoning Province: "Foreign and domestic investors must be treated on an equal basis, with equally convenient business procedures."[8] Close to Japan, North and South Korea and Russia, the Liaoning Pilot Free Trade Zone aims to opening-up to and cooperating with Northeast Asia.[9]

The first two sets of zones have successfully introduced a 'negative list,' which specified the investment sectors off-limits to foreign investors and allowed industries not on the list to follow the same investment rules as domestic firms.[10] The negative list provides an outline of the sectors in which foreign investment is restrained and is applicable to China's FTZs equally.[11] To further ease investment access, the State Council on June 16 released a new foreign investment negative list for FTZs. The new management measures on foreign investment access took effect on July 10, replacing the old one issued in April 2015.[12]

This year, China has significantly trimmed its negative list. Today, the negative list covers 15 sectors, such as mining, leasing and commercial services,