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SHANGHAI TRADE ZONE SET TO GET BIG BOOST

City government looks to woo foreign investors by expanding the area fivefold to 600 square kilometres with a focus on finance and medicine

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Shanghai is considering expanding its free-trade zone fivefold to as big as 600 square kilometres, including two areas where US electric-car maker Tesla and Malaysian hospital operator IHH Healthcare are already active, to increase its appeal to foreign investors.

The expanded area will include Lingang and Hongqiao to the west of the Huangpu River that cuts through the city, according to sources.

The city government is expected to unveil detailed plans for the 120 square kilometre zone in the first half of next year after it receives approval from the central government.

The sources did not confirm the size of the zone.

"Services sectors including finance and medicine will be a focus during the further development of the Shanghai free-trade zone," said Chen Bo, a professor at the Huazhong University of Science and Technology and adviser to local governments, including

that of Shanghai. "Generally, it will be easier for foreign investors to set up their operations in the zone."

Tesla signed an agreement with the Shanghai government in July to build its US\$2 billion Gigafactory 3, its first production facility outside the United States, in Lingang, which covers 360 square kilometres. The facility is expected to produce 250,000 electric vehicles a year.

IHH Healthcare is active in Hongqiao, which covers 90 square kilometres and hosted the China International Import Expo last month. The company is building a US\$200 million hospital with 450 beds, which is expected to open in 2020.

President Xi Jinping announced at the expo that Beijing would let Shanghai expand its free-trade zone, highlighting the mainland's commitment to globalisation by widening access to its domestic markets amid a trade war with the US.

Also at the import show, a six-day event organised with the aim of increasing China's imports, Shanghai vice-mayor Wu Qing said the expansion of the zone

would be matched by large-scale liberalisation.

Over the weekend, Wu told a forum at the Shanghai Advanced Institute of Finance that the mainland's most developed city was still aiming to be an international financial centre and the expanded free-trade zone would reinforce its ambitions.



It will be easier for foreign investors to set up ... operations in the zone

CHEN BO

The zone, the mainland's first, was set up in 2013 and initially covered 28.8 square kilometres. It was started with the ambition of turning Shanghai into an investment magnet and free-trade port similar to Hong Kong and Singapore.

It was expanded to 120 square

kilometres in 2015, but still failed to live up to investors' expectations of becoming a free market-place. To date, the yuan has yet to become fully convertible under capital accounts in the free-trade zone.

The Shanghai government has set up a special task force to work on detailed plans for the expansion, which will be submitted to authorities in Beijing for a final review and endorsement.

While Lingang is viewed as an ideal area to attract more foreign investment and international companies' mainland production operations, Shanghai wants to turn Hongqiao into an international medical centre by drawing top hospital chains and talent from across the globe.

Sources said the expanded free-trade zone would further ease restrictions on foreign investment and grant overseas companies greater freedom to move commodities and money in and out of the country.

It will also enable more foreign businesses to open free-trade accounts, a major experimental move in the zone aimed at easing trade and investment.

These accounts, first introduced to the Shanghai free-trade zone in 2015, are viewed as a preliminary step in liberalising capital accounts.