

TRADE

## Shanghai building bonded area in free-trade zone

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Shanghai was in the process of building a big bonded facility at its expanded Lingang free-trade zone, mayor Ying Yong said yesterday, adding to evidence that the city is actively pursuing policies to attract more international investment.

Ying said that the 119.5 sq km Lingang free zone, launched in August, would roll out additional tax incentives in the hope of turning it into a "modern city" with the greatest level of openness.

"We are chasing higher quality economic growth and looking to implement policies at Lingang which cannot be enforced in other free-trade zones," he said after the annual International Business Leaders' Advisory Council meeting.

"It will be a territory with

increased attractiveness for international businesses."

The mayor did not reveal the size of the planned bonded area.

Shanghai doubled the size of its free zone in August by including Lingang, an untapped area with access to the Yangshan deep water port.

The authorities said the expansion would result in a series of bold economic reforms to gradually transform Lingang into a free marketplace on a par with Hong Kong and Singapore.

Local government sources have said duty exemption on imported goods would be a key incentive to bolster the development of Lingang.

But the policy is still awaiting approval from the General Administration of Customs.

In other free-trade zones across the mainland, import tariffs are still levied, except for goods stored at bonded warehouses.

"If Shanghai were to implement a zero tariff policy at Lingang, it would effectively draw a big number of international companies, such as manufacturers, logistics service providers and retailers," said Chen Xiao, chief

executive of Shanghai Yacheng Culture, which provides marketing and branding for retail company. "It will be a big step forward in building a real free-trade port in Shanghai that can compete against Hong Kong."



Shanghai's Yangshan port. The nearby Lingang area has been incorporated into an expanded free-trade zone. Photo Imaginechina

Shanghai's stepped-up efforts to further open its market to international businesses come at a crucial time for Hong Kong, where business confidence has been shaken since unprecedented civil unrest and street violence arising from a now-abandoned extradition bill began in June.

Over the past two months, Lingang has lured 62 new industrial projects with total investment of 26 billion yuan (HK\$28.8 billion), Ying said.

Tesla, the US maker of the bestselling electric vehicles, secured a parcel of land at Lingang free-trade zone last year to build its first plant outside the US.

Shanghai is also offering cash subsidies to financial institutions that set up branches at Lingang and cash awards to companies in biotech or semiconductor industries if they are able to generate a certain level of revenue in the free-trade zone.