# CHINA'S PILOT FREE TRADE ZONES (I): RATIONALE AND ACHIEVEMENTS

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# Executive Summary

1. The launch of China (Shanghai) Pilot Free Trade Zone (PFTZ) in September 2013 marked the commencement of the PFTZ project and a milestone in the "free trade area/zone strategy". The PFTZ is a test site for difficult economic reforms and risky opening measures before they are eventually rolled out nationwide.

2. The setting up of the first PFTZ has been presented as "a major decision" by the leadership. As an important part of the free trade area/zone strategy, the PFTZ project is to "draw on further opening-up to boost reform" by liberalising investment access.

3. In less than four years, the number of PFTZs has hit 11. In 2015, PFTZs were set up in Tianjin, Guangdong and Fujian, and in 2017, seven PFTZs were running in Liaoning, Zhejiang, Henan, Hubei, Chongqing, Sichuan and Shaanxi. Since November 2016, China's State Council has also decided to replicate some of the reforms piloted in the PFTZs for nationwide roll-out.

4. The first framework plan of the China (Shanghai) PFTZ set the goal of building in 2-3 years "a pilot free trade zone meeting international standards and featuring investment-and-trade facilitation, free convertibility of currencies, efficient and facilitated regulations, and a well-defined legal environment". So far the goal has yet to be reached despite the achievements made.

5. China's State Council has issued successively three framework plans since 2013 for the China (Shanghai) PFTZ, indicating the central government's continuous support for the zone to play a pioneering role in the free trade area/zone strategy and the PFTZ reforms.