CHINA'S PILOT FREE TRADE ZONES (II): FROM ONE TO MANY

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Executive Summary

1. China's Pilot Free Trade Zone (PFTZ) project launch in September 2013 was a major decision by the government to "draw on further opening-up to boost reform" by liberalising investment access. It aims to try out difficult economic reforms and opening schemes that can be copied and rolled out nationwide.

2. In April 2015, two years after the launch of the first China (Shanghai) PFTZ, the government decided to set up three more PFTZs in Guangdong, Fujian and Tianjin. In April 2017, seven more PFTZs were set up, making it a total of 11 such zones scattered from the coastal to inland regions.

3. The initiation of the PFTZ project and its roll-out have been driven by competing political interests. The initial idea of having a free trade zone was prepared by local officials in Shanghai nearly a year before the current leadership headed by Xi Jinping came to power in end 2012.

4. Li Keqiang in his first few months of premiership played a pivotal role in presiding over oppositions to the project in the government. After the PFTZ project was endorsed by the Party's 60-reform agenda in end 2013, Xi soon publicly gave his blessing to the project.

5. Once the PFTZ project was linked to a national strategy, having it launched in one's administrative territory became an express vehicle of promotion for local officials as it enhances their performance record and political capital.

6. In the process of rolling out PFTZs, the listed features of the newly launched PFTZs' "strategic positioning" have expanded to include goals that meet local interests. The race for PFTZ projects has reshuffled the political capital among China's political leaders and officials involved, impacting China's economic development as well as political power structure.