

## Guangdong FTZ Released Plan to Deepen the Reform and Opening-up

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PEGGY CHEUNG

ADVISORY DEPARTMENT

JAPANESE CORPORATE BANKING DIVISION FOR ASIA

T +852-2821-3782

PEGGY\_SP\_CHEUNG@HK.MUFG.JP

**MUFG Bank, Ltd.**

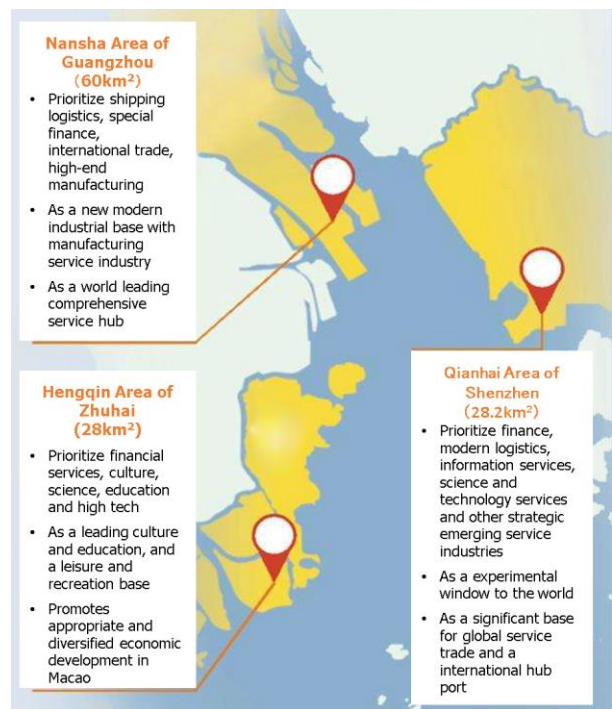
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On 24<sup>th</sup> May 2018, the State Council promulgated the Plan to Deepen the Reform and Opening-up of China (Guangdong) Pilot Free Trade Zone (Guofa [2018] No.13, hereinafter "the Plan"). The Plan aims to level up the deepness of the previous reform announced three years ago (Guofa [2015] No.18), of which the target has been successful achieved. The report will give a brief introduction to the main policies of the new Plan.

### BACKGROUND

Following the lead set by Shanghai, Guangdong together with Tianjin and Fujian were launched as the nation's second batch of FTZs in April 2015. The Guangdong FTZ spreads across Nansha Area of Guangzhou, Qianhai Area of Shenzhen and Hengqin Area of Zhuhai. Apart from focusing on establishing a new open economic system and facilitating trade and investment as other FTZs, Guangdong FTZ is assigned the special mission to deepen economic integration, especially in the service and finance sectors among Guangdong, Hong Kong and Macao.

April 2018 marks the three-year anniversary of the establishment of Guangdong FTZ. During the journey, Guangdong FTZ has introduced pioneering programs to facilitate trade and investment, as well as financial reform. According to "Guangdong FTZ 2017 Third Party Assessment Report" by Shanghai University of Finance and Economics, Guangdong FTZ has trialed 385 innovative movements since its inauguration. As of December 2017, Guangdong FTZ has witnessed the registration of over 210,000 enterprises, of which 9,639 are foreign invested.



### 【Examples of Guangdong FTZ's innovative actions】

Financial Reform	<ul style="list-style-type: none"> <li>• Relaxed the upper limit of foreign ownership in financial institutions under the CEPA framework (HSBC Qianhai Securities Ltd. in Qianhai)</li> <li>• Set up the only headquarter-level CIPS clearing center situated outside the location of head office in China (Agricultural Bank in Qianhai)</li> <li>• Achieved the 1st finance leasing deal of a Hong Kong-registered vessel settled in US dollar (ICBC Leasing in Nansha)</li> </ul>
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Investment Facilitation	<ul style="list-style-type: none"> <li>Issued the 1<sup>st</sup> "Multi-function Electronic Certificate" in China, which integrated all business registration information related to a business entity, allowing banks and other service providers to conduct reference check effectively. (Bank of China in Hengqin)</li> <li>Activated the 1<sup>st</sup> Cross-Border Tax Payment Platform for Hong Kong taxpayers to conduct remote tax payment via Guangdong-Hong Kong Electronic Bills Exchange System (Local Tax Bureau in Qianhai)</li> </ul>
Trade facilitation	<ul style="list-style-type: none"> <li>Established the 1<sup>st</sup> Global Fulfilment Centre in China to integrate solution for the storage, transfer and delivery of general/bonded goods, imported/exported goods, and 2B/2C goods in the same warehouse (Qianhai Bay Bonded Port Area)</li> <li>Developed the nation's 1<sup>st</sup> "Smart Inspection Port" platform, which allows consumers of cross-border e-commerce products to trace 18 kinds of commodity-related information including Region of Origin and Manufacturer (Nansha Customs)</li> <li>Granted entry/exit permission to Macau-plated vehicles travelling to Hengqin (Hengqin)</li> </ul>

Based on the above achievement, the Plan is to make new progress by deepening the reform and opening-up of Guangdong FTZ.

## HIGHLIGHTS

Adding to its mission to deepen the reform and widen the opening-up across the region, Guangdong FTZ is also placed as the "engine" to boost collaboration across the Guangdong-Hong Kong-Macau Greater Bay Area. The following gives a brief introduction to the main policies of the Plan.

Target	Policy Highlight	Remark
Conform with global business standards and act as a pioneer to establish a new open economic system	<ul style="list-style-type: none"> <li>Investment Facilitation <ul style="list-style-type: none"> <li>Narrow down the negative list for foreign investment</li> <li>Remove the licensed period restriction on foreign invested enterprises<sup>①</sup></li> </ul> </li> <li>Trade Facilitation <ul style="list-style-type: none"> <li>Expand the application of "single-window"<sup>1</sup> service model<sup>②</sup> to the service trade and tax rebate to service trade regard.</li> <li>Extend the permitted period of temporary goods import<sup>③</sup></li> <li>Develop bonded repairing business and re-manufacturing of old-model equipment</li> <li>Remove the restriction of bonded warehousing period on parallel-imported vehicle<sup>④</sup></li> </ul> </li> <li>Financial Reform <ul style="list-style-type: none"> <li>Set up FTZ's unique account management system<sup>⑤</sup></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>① Current operation period of a foreign-invested manufacturer is up to 50 years, while those of a foreign-invested trading firm is up to 30 years</li> <li>② Shanghai FTZ initiated such service model on cargo trade since 2014, and the pilot was extended nationwide in 2017</li> <li>③ The permitted period could be extended from 6 months to 1 year upon application.</li> <li>④ The current bonded warehousing period is 3 months with no extension period allowed.</li> <li>⑤ The use of free trade account is only allowed in Shanghai FTZ currently</li> </ul>

<sup>1</sup> "Single-window" service model is a platform to facilitate global trade by providing a single entry platform to submit all necessary documents and fulfill all regulatory requirements from different authorities including custom, quarantine clearance and marine departments.

	<ul style="list-style-type: none"> <li>Encourage equity and business partnerships between qualified domestic and foreign financial institutions<sup>2</sup></li> </ul>	
Boost the international competitiveness by stepping up cooperative activities and enhancing opening-up effort	<ul style="list-style-type: none"> <li>Establish an international ocean voyage hub <ul style="list-style-type: none"> <li>Set up a bonded fuel supply base for international shipping liner<sup>⑥</sup></li> <li>15-day visa-free policy for international cruise inbound trips<sup>⑦</sup></li> </ul> </li> <li>Set up an international trade hub <ul style="list-style-type: none"> <li>Standardise and facilitate transit trade and offshore trade settlement</li> <li>Set up a comprehensive functional district for cross-border E-Commerce business in Zhuhai</li> <li>Deepen the reform on service trade and widen the range of tax incentive<sup>⑧</sup> to service providers</li> </ul> </li> <li>Opening-up of financial sector <ul style="list-style-type: none"> <li>Participation in the pilot programme<sup>⑨</sup> of debt-equity combination financing<sup>3</sup></li> </ul> </li> </ul>	<p>⑥ With offshore fuelling programme under pilot, Zhoushan Port in Zhejiang FTZ is by far the largest bonded fuel supply base in China.</p> <p>⑦ Shanghai has launched the pilot programme since Oct. 2017</p> <p>⑧ Accredited Technology Advanced Service Enterprise nationwide is entitled to enjoy 15% concessionary profit tax since 1st Jan,2018 (Caishui [2018] No. 44)</p> <p>⑨ The pilot programme has been launched since Apr. 2016 in Zhongguachun in Beijing, Donghu in Wuhan, Zhangjiang in Shanghai, Binhai in Tianjin, and National Innovation Demonstration Zone in Xian.</p>
Explore new area of regional collaboration and act as a model area to promote cooperation in Guangdong-Hong Kong-Macau Greater Bay Area	<ul style="list-style-type: none"> <li>Liberalize trade in service across Greater Bay Area <ul style="list-style-type: none"> <li>Permit professionals in financial and construction sectors from Hong Kong and Macau to work in Guangdong<sup>⑩</sup></li> <li>Manage Hong Kong and Macau shipping routes to/from Guangdong FTZ as domestic liners</li> <li>Enforce "Joint Checkpoint Border Control"<sup>4</sup> in both Zhuhai and Macau<sup>⑪</sup></li> </ul> </li> <li>Innovate science and technological cooperation mechanism among Guangdong Hong Kong and Macau <ul style="list-style-type: none"> <li>Encourage cross-border use of innovation and technology voucher among Guangdong Hong Kong and Macau</li> <li>Set up database and share information of industrial development among Guangdong Hong Kong and Macau</li> <li>Provide support to attract Hong Kong investment of nanotechnology, advanced material technology and cold chain research centres in Guangdong FTZ</li> </ul> </li> </ul>	<p>⑩ The programme will be piloted in Guangdong FTZ under CEPA framework agreement.</p> <p>⑪ "Joint Checkpoint Border Control" of Guangzhou-Shenzhen-Hong Kong Express Rail Link is in process of legislation and will be enforced in Hong Kong</p>

<sup>2</sup> The China Banking and Insurance Regulatory Commission (CBIRC) removed the 25 percent cap on the foreign ownership in a local financial institution in April 2018. Meanwhile, it also lifted the bar to allow foreign banks' local branch to underwrite Chinese government bonds and trade derivatives (CBIRC [2018] No. 16)

<sup>3</sup> A way of financing in which a financial institution issues debt to its subsidiary fund house, and the fund house use the fund for stake investment in start-up high-tech enterprises. The fund house has the liability to repay loan principle and interest with the investment return.

<sup>4</sup> Under the arrangement, passengers may complete both emigration and immigration procedures before boarding the cross-border vehicle in one go.

	<ul style="list-style-type: none"> <li>■ Establish the demonstration base to support youth entrepreneurship in Greater Bay Area <ul style="list-style-type: none"> <li>▪ Set up Guangdong-Hong Kong-Macao Youth Development Fund, Start-up Guiding Fund and Start-up Mentor Fund</li> <li>▪ Provide in-zone address for business registration purpose and offer rent-free business office spaces</li> </ul> </li> <li>■ Synergize with Belt and Road Initiative by intensifying regional cooperation <ul style="list-style-type: none"> <li>▪ Encourage qualified Guangdong-Hong Kong-Macau institutions (except bank) to set up RMB Oversea Investment Fund</li> </ul> </li> </ul>	
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## COMMENTS

The plan, aiming at strengthening Guangdong FTZ's position as a pioneer of economic reform, a highland to deepen opening-up, and a model place to promote Greater Bay Area cooperation, has incorporated in a full range of policies from the improvement of market access, the innovation of new business model, to the acceleration of financial deregulation. In particular, with the direction and measures to fortify Guangdong-Hong Kong-Macau clarified, accelerated development of Guangdong FTZ as the core area of Greater Bay Area can be expected.

(END)

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