



How Can the Local Government Respond to Business Needs in Implementing Investment Facilitation Measures: Case of Shanghai Pilot Free Trade Zone

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Shanghai Pilot Free Trade Zone was established by Chinese government in July of 2013

The aims of Shanghai Pilot Free Trade Zone

- Respond to business needs in the areas of trade and investment facilitation
- Explore new types of administration for trade and investment
- Accelerate the transformation of government functions
- Deepen the reform of the economic system in the middle of the new trends of economic globalization.

The roles of Shanghai Pilot Free Trade Zone

- Serve as a “test land” in building a more open economy in China to contribute its duplicable and propagable cases and best practices to the whole country
- Serve as a “new platform” for common development and economic prosperity with the rest of the country and the world.

The tasks of Shanghai Pilot Free Trade Zone

- Realize trade and investment facilitation
- Realize greater transparency in trade and investment policies and more efficient administration in trade and investment

A Story about a Foreign Investor in Shanghai PFTZ



One of new measures to open the service sectors in Shanghai PFTZ as the production and sale of the game and amusement equipment with foreign capitals is **not** included in the negative list:

Foreign investors are approved for the production and sale of gaming and entertainment equipment, which can be sold in China's domestic market provided they have successfully navigated the content censorship of competent departments responsible for culture administration.

As specified in the regulations regarding administrative type of the negative list, filing system replaces the review and approval system. Microsoft can obtain the business **license** first before applying to competent departments for business **certificate** based on the registration system reform.

In that way, Microsoft Game Entertainment Equipment, a wholly-owned subsidiary of Microsoft in Shanghai PFTZ, enjoyed a simplified procedure of filing and registration within only 3 working days and kicked off its operation in May of 2014, specializing in producing and selling XboxOne, a household gaming and entertainment console.

In the meantime, E-home, a joint venture of Microsoft in partnership with BestTV in Shanghai PFTZ is engaged in the introduction and localization of the game contents produced and sold by Microsoft itself. This has not only catered to China's consumers' demand, but also helped gaming with Chinese cultural elements go global through Xbox.

Major Measures

First, establish a foreign investment administrative system featuring the pre-establishment national treatment and negative list in line with the international practices and grant domestic and foreign investors with equal treatment except items that are out of the negative list.



Second, advance the reform of the commercial registration system across the board and explore new ways to the reform of “Approval Certificate after Business License”.



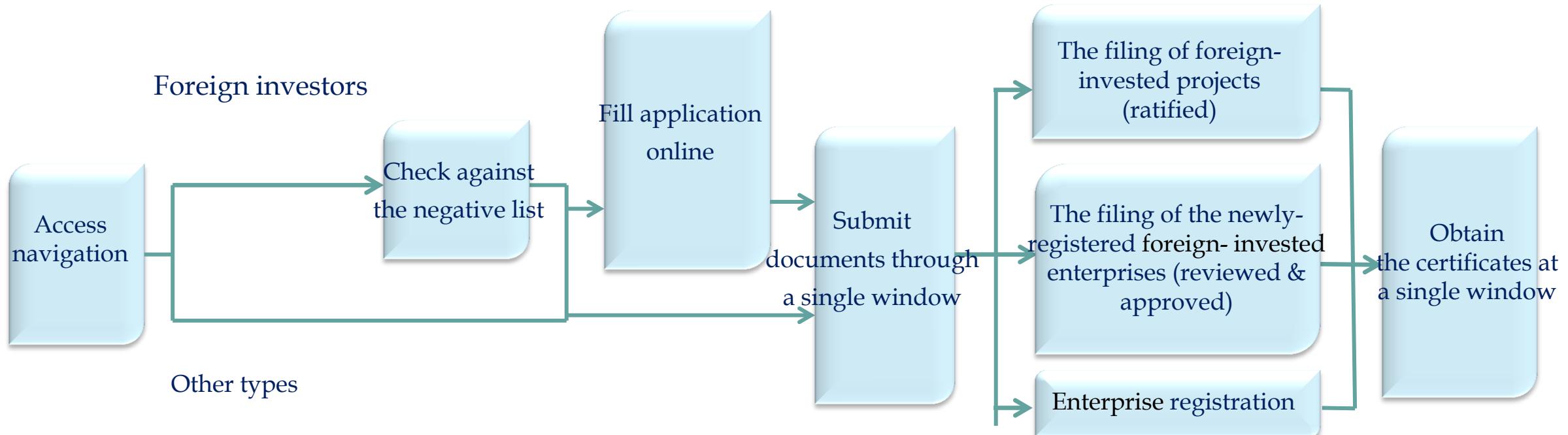
Third, compliance oversight with the priority given to standardizing the market players’ behaviors has been established so as to bring about a transparent and efficient regulatory system across the whole post-establishment process.



Four, put in place a “single window system” for market access where people can enjoy a one-stop service to get business done, including one-off declaration and acceptance.

Major Measures

The registration procedure of foreign investors in Shanghai PFTZ



Major Outcomes

First

There have been fundamental changes concerning the review and approval system of foreign investment, greatly enhancing the efficiency for foreign-invested business to get registered.

By April of 2017

- Over 98% of foreign-invested businesses have registered through the filing system
- Compared with the previous 20 working days needed to go through the formalities, the work can be done within only 1 day now.
- Compared with the previous 11-16 paper versions of documents submitted for the registration of foreign-invested businesses, the number has been cut to 3-6 in electronic forms.
- A total of 7504 foreign-invested projects have settled in Shanghai PFTZ, nearly approaching the total number two decades ago prior to the inception of it, \$86.8 billion of foreign capitals attracted and \$14.2 billion foreign capitals actually received from September of 2013 to April of 2017
- A total of \$51.0 billion of foreign capitals attracted and \$18.5 billion foreign capitals actually received in Shanghai in 2016 and maintain growth for 17 consecutive driven by a surge of foreign capitals received in the PTFZ

Major Outcomes

Second

Market access has been expanded and more restrictions on the market access of foreign investment in the service sector have been relaxed.

By the end of May, 2017

- 54 measures in service have been carried out at twice for further opening up.
- 2142 projects in services have settled in Shanghai PFTZ
- 7 service subsectors including financial leasing, commerce, architecture design and construction, entertainment artist agency, international shipping management, value-added telecommunications and travel agencies have gained significant results. Pioneering projects have sprung up such as the first reinsurance brokerage firm, the first wholly-foreign owned yacht design firm and the first wholly foreign-owned vocational training institute outside of the education system nationwide.
- Newly opened services have covered 11 sectors of WTO's services sectoral classification and reached a coverage rate of 91.7%, including finance, shipping, commerce, culture, legal services, social services and specialized services etc. The degree of opening up is much higher than China's commitments on its accession to the WTO and the bilateral free trade agreements already implemented.

Major Outcomes

Third

Measures designed at investment facilitation have been further carried forward with the vitality of market investment effectively unleashed.

- 37 issued measures concerning the investment facilitation such as filing system of foreign investment and single window system for market access have given a strong boost to the investment in Shanghai PFTZ both from domestic and foreign investors.
- By September of 2016, there have been 40,000 newly registered businesses within the PFTZ, outnumbering the total two decade ago before the PFTZ took shape.
- Of these new entities, 88.8% of them are private enterprises.

Major Outcomes

Forth

Pilot projects unveiled in the PFTZ first and then extended best practices nationwide

- The negative list has acted as the basic system in maintaining a fair and consistent market access while streamlining administration and delegating powers, combining devolutions and regulations as well as and optimizing public service.
- Amended issues about the administrative review and approval in four laws related to foreign investment in China approved by the Standing Committee of the National People's Congress
- Conducted the filing system instead of review and approval system on business registration alteration that is beyond the purview of the special administrative measures concerning the foreign investment access in light of the decision made by the State Council
- Added 11 new PFTZs based on the best practices of Shanghai PFTZ with the decision of the State Council from December of 2014; these newly designated PFTZs are in Guangdong province, Tianjin city and Fujian province in 2014 and in Liaoning province, Zhejiang province, Henan province, Hubei province, Chongqing city, Sichuan province and Shanxi province earlier this year.

Goals Set Forth For the Future



Shanghai Pilot Free Trade Zone will pull more efforts in **three areas** to uplift investment facilitation in accordance with *Global Action Menu for Investment Facilitation issued by UNCTAD*

- *Enhance the transparency of the investment policy framework*
 - Accessibility of laws and regulations
 - Wider public participation
- *Enhance the efficiency of administrative procedures*
 - Optimized procedure of the filing or review and approval system
 - Better collaboration among the governmental agencies
- *Enhance the levels of information sharing in terms of the foreign investment administration*
 - Vertical information sharing: state-local government
 - Horizontal information sharing: local government agencies
 - Public-private information sharing: government and businesses

Goals Set Forth For the Future



We'd like to share best practices and experiences at the local level and explore how to promote investment facilitation in joint efforts to usher in a bright future where global investment facilitation can invigorate free trade, inclusive economy and sustainable development.

Thanks

Gracias

Merci