The Tenth Anniversary of Free Trade Pilot Zones in China: Fundamental Experiences and Enhancement Strategies

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Abstract: *Since the 18th National Congress of the Communist Party of China, the country has established 21 Free Trade Pilot Zones (FTZs), achieving significant pioneering results in reform and opening up and creating a strong demonstrative effect nationwide. The basic experience from a decade of FTZs includes: adhering to the centralized and unified leadership of the CPC Central Committee; combining top-level design with encouragement of grassroots innovation; leveraging the distinct characteristics and strengths of FTZs to form a differentiated development pattern; maintaining the integration of opening up with domestic reforms; using openness to drive reforms; and organically combining openness with national security assurance. Under the current and future new circumstances, China's FTZs face new challenges and tasks. In accordance with the directives of the 20th National Congress of the Communist Party of China, an enhancement strategy for the FTZs needs to be implemented. This involves the following: First, accurately understanding and responding to the changing situation to create strategic opportunities. Second, shifting paradigms to implement innovation-driven strategies, using the new development pattern concept to guide the reform experiments and construction of the FTZs. Third, granting more autonomy to FTZs for reforms, pursuing progress while maintaining stability, and solidly advancing the reform experiments in the FTZs. Fourth, orderly expanding the opening up of the service sector and cautiously advancing the internationalization of the renminbi. Fifth, promoting innovative development in trade to build a strong trade nation. Sixth, establishing synergy with bilateral FTZs, Belt and Road cooperation, and national diplomatic strategies to enhance the linkage effect.*

Keywords: *Tenth anniversary of Free Trade Pilot Zones, experience summary, enhancement strategy conception*

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The report to the 20th National Congress of the Communist Party of China clearly proposes: "Implement the strategy of upgrading the Free Trade Pilot Zones (FTZs)", which is an important measure to promote a high-level opening up. The Proposal of the 19th CPC Central Committee's Fifth Plenary Session for the 14th Five-Year Plan and the 2035 long-term goals emphasizes the need to persist in implementing a broader, wider, and deeper opening-up strategy; relying on its large market advantages, China should promote international cooperation and achieve mutual benefits. Among them, expanding and deepening the reform and opening up of FTZs has always been a new task in constructing

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a higher-level open economic system. It is necessary for us to earnestly summarize the experiences of the past ten years since the establishment of FTZs, plan the future upgrade strategy for FTZs, define new goals and tasks, and further deepen China's opening up.

1. Basic Practice and Main Experiences of China's FTZs

On September 29, 2013, the establishment of the first FTZ in Shanghai marked the beginning of China's new round of opening up, a symbolic event following the 18th CPC National Congress's proposal of implementing a more proactive opening-up strategy. By the end of 2022, a total of 21 FTZs (including ports) comprising 67 zones have been established across the country. These FTZs cover the eastern coastal areas and further expand to include the Beijing-Tianjin-Hebei region and the Yangtze River Delta, forming a new situation of coordinated development in the east, west, south, north, and central regions, and integrated land and sea development (Ministry of Commerce International Trade and Economic Cooperation Research Institute, 2021). The main challenge in establishing FTZs lies in the broad scope of service trade opening but insufficient depth. Conditions for simultaneous deepening of openness nationwide are not yet mature, requiring trials and stress tests. According to the General Agreement on Trade in Services (GATS) reached by the World Trade Organization (WTO), by 2012 China had opened up 110 out of the over 160 service trade sectors classified by WTO rules, including important ones such as banking, insurance, telecommunications, distribution, accounting, and education—a significantly higher number than the average level in developing countries—providing broad market access opportunities for foreign service providers. Regional cooperation with some economies also involves the opening of service trade, so the degree of openness of China's service trade is in fact higher than the level it was committed upon joining the WTO. However, compared to goods trade, the depth and breadth of service trade openness are still insufficient. Modern services, especially financial services, information services, social services, and various knowledge-intensive services, have a more significant impact on the national economy. Among the four modes of service trade classified by the WTO—namely cross-border supply, consumption abroad, commercial presence, and movement of natural persons—China's openness in the areas of commercial presence and movement of natural persons is particularly inadequate.

China's opening in the service sector has a great potential but also lags significantly behind the development of economic globalization. The lag in service industry opening is caused by two reasons: On the one hand, China's competitiveness is not strong in many modern service sectors, and in consideration to national economic security factors, a strategy of protection and limited opening is adopted; on the other hand, opening many service sectors involves aligning domestic laws, regulations, and related policies with international rules (including new rules), which means transferring governance rights over domestic economic activities. This institutional opening, different from border opening and transferring tariff sovereignty, is a new issue and practice that China has not encountered during and after its accession to the WTO. The purpose of establishing FTZs is to pioneer and experiment in deepening the openness of the service trade sector, accumulate experience, and gradually promote it. According to the official overall plans of various zones released by the Chinese government, the reforms can be summarized into five tasks, involving more than 90 policy issues.

The first task is to accelerate the transformation of government functions. This involves proactive reform with a focus on institutional innovation, avoiding policy pitfalls. The emphasis is shifted from pre-approval by the government to mid-process and post-event supervision, establishing a one-stop service model for acceptance, comprehensive approval, and efficient operation. This task involves the following steps: strengthen the tracking, management and supervision of FTZ-based enterprises' activities outside the zone; systematically integrate the rules, regulations, management, and standards of institutional openness based on the summary of experimental policies, and promote them in other areas as needed.

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The second task is to expand the opening of investment fields. The service sector focuses on expanding openness in the financial, shipping, commercial, professional, cultural, and social services. It suspends or cancels entry restriction measures such as those on investor qualifications, shareholding limits, and operational scope limits (excluding banking institutions and information communication services), creating a market environment favorable for equal access for all types of investors. Implement negative list management. For sectors outside the negative list, foreign investment projects will be switched from approval to registration system (except for those where the State Council retains approval for domestic investment projects). The approval of contracts and articles of foreign-funded enterprises will be replaced by local government filing management. Business registration and commercial registration system reforms will be linked, and a pilot national security review involving foreign capital will be launched in the FTZs to improve the national security review system.

The third task is to promote trade facilitation. To this end it is necessary to encourage multinational corporations to set up regional headquarters in the FTZs, establish operational centers integrating trade, logistics, and settlement functions, deepen international trade settlement pilots, expand the cross-border receipt and payment and financing functions of special accounts for service trade, develop offshore businesses, and coordinate international and domestic trade. Explore establishing international bulk commodity trading and resource allocation platforms in the FTZs, conducting international trade of energy products, basic industrial raw materials, and bulk agricultural products. Pilot the establishment of supporting systems for customs supervision, inspection and quarantine, tax refunds, cross-border payments, and logistics.

The fourth task is to deepen the opening and innovation of the financial sector. The initially established Shanghai FTZ focuses on the "30 financial reform measures" and "40 financial reform measures" supporting the construction of the FTZ issued by the People's Bank of China,[1] as well as the "30 financial measures" supporting the pilot of financial reform in the Lingang New Area.[2]It enhances financial services for trade and investment facilitation within the zone, explores foreign exchange management reform pilots for offshore trade and cross-border investment, establishes free trade accounts, pilots integrated management of domestic and foreign currencies in cross-border financing, expands the use and the cross-border use of the renminbi and steadily promotes its internationalization, actively attracts foreign financial institutions, expands the business scope of foreign-funded financial institutions, promotes financial market construction, encourages financial market product innovation, establishes a comprehensive financial service platform, improves the financial development environment, provides strong services for nurturing entities with international competitiveness, and strengthens the renminbi's global resource allocation capability. Subsequent FTZs have referred to Shanghai's experience, determining their own financial reform and innovation plans.

The fifth task is to create a corresponding regulatory and tax system environment, and comprises the following: Adopt "one-line release" by establishing relatively independent areas for trade facilitation for goods trade and service trade areas to expand service sectors. "Two-line safe and efficient control" to strengthen electronic account book management, promote the convenient flow of goods between special customs supervision areas within the FTZs and across customs areas. Enterprises within the FTZs are not restricted by location and can reinvest or operate outside the zone, promoting the integration of enterprise operation information with the regulatory system. In terms of tax policy, under the premise of maintaining the fairness, unity, and standardization of the current tax system and oriented by

[1] Refers to the People's Bank of China "Opinions on Financial Support for the Construction of China (Shanghai) Free Trade Pilot Zone" (Yin Fa [2013] No. 244); "Opinions on Further Advancing Financial Opening and Innovation Pilot in China (Shanghai) Free Trade Pilot Zone and Accelerating the Construction of Shanghai as an International Financial Center" (Yin Fa [2015] No. 339).

[2] "Opinions on Further Accelerating the Construction of Shanghai as an International Financial Center and Financial Support for the Integrated Development of the Yangtze River Delta" (Yin Fa [2020] No. 46) by the People's Bank of China.

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fostering functions, relevant policies are improved: implementing tax policies to promote investment; implementing tax policies to promote trade; actively studying and improving tax policies adapting to overseas equity investment and offshore business development, under the premise of conforming to the direction of tax system reform, international practices, and not leading to profit transfer and tax base erosion. Overall, each FTZ has solidly advanced the tasks and goals set in the overall plan, implementing special action plans, formulating implementation plans, autonomously issuing experimental tasks, strengthening supervision and assessment, effectively promoting the implementation of pilot tasks, and achieving significant development results (Ministry of Commerce International Trade and Economic Cooperation Research Institute, 2022).

Over the past ten years, FTZs have accomplished several major achievements:

The first achievement has been their leading and pioneering role in the development of China's open economy. The 21 national FTZs account for less than one-thousandth of China's land area, but in 2021 they achieved an import and export volume of 6.8 trillion yuan, a year-over-year increase of 29.5%, 8.1 percentage points higher than the national average, contributing 17.3% to the national import and export volume. Actual foreign capital utilization was 213 billion yuan, up 19% year-over-year, accounting for 18.5% of the national total (Ministry of Commerce International Trade and Economic Cooperation Research Institute, 2022). In 2012, China's total trade in goods and services was 4.4 trillion US dollars, ranking second globally. By 2021, the total trade in goods and services had grown to 6.9 trillion US dollars, ranking first globally for two consecutive years. China's two-way investment also remained among the world's top, attracting foreign capital of 1.15 trillion yuan in 2021, a 62.9% increase since 2012. Since 2017, China has ranked second in the world in attracting foreign investment for four consecutive years. Outbound investment flows have consistently been among the top three globally. The FTZs have also contributed to the stability of the foreign trade and foreign investment base.

The second achievement has been the formation of the "five freedoms", "one convenience" and the government's "streamline administration, delegate power, and optimize services" reform target framework system for FTZs. Shanghai, Guangdong, Tianjin, Fujian, and other early FTZs started with trade and investment liberalization, gradually deepening into the financial sector. As FTZs continued to expand, the experimental content became richer. By 2018, when Hainan Province established an FTZ, a reform and innovation target system had been formed, encompassing "five liberalizations" in trade, investment, finance, personnel exchanges, transportation, and "one facilitation" in cross-border data transfer. Each FTZ has clear directions and specific tasks, focusing on these reform tasks to reform government functions. Bold explorations have been made in "streamline administration, delegate power, and optimize services" reforms and mid-event and post-event supervision, effectively stimulating market vitality and promoting mass entrepreneurship and innovation.

The third achievement has been the formation of a series of replicable and promotable reform and innovation results. Since 2017, the General Administration of Customs of China has promoted the "Single Window" initiative created in the FTZs nationwide and proposed that customs across the country reduce cargo clearance time by one-third; thus, the efficiency of customs clearance in FTZs has improved by an average of about 40%. In January 2014, the State Council approved the "Special Management Measures for Foreign Investment Access in the China (Shanghai) FTZs (Negative List) (2014 Revision)" based on the Shanghai version of the foreign investment negative list policy. In 2016, the negative list of the FTZ was extended nationwide, implementing a negative list management model for foreign investment access, reducing the number of restrictive measures from the initial 190 to 27 in 2022. The "Foreign Investment Access Special Management Measures (Negative List)" underwent four revisions in 2017, 2018, 2019, and 2020, each a result of practical activities. These revisions provided a rich legal practice basis for the birth of the national "Foreign Investment Law" in 2020, inaugurating a new foreign investment management system and significantly promoting foreign investment access. In 2021, Hainan introduced the first cross-border service trade negative list. Many FTZs implement information

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exchange, regulatory mutual recognition, and law enforcement mutual assistance, continuously optimizing the "one-line release, two-line safe and efficient control" supervision model, supporting FTZ pilot measures such as "imported animal and plant quarantine approval negative list system" and "classification supervision of goods status". Furthermore, based on Hainan FTZ's cross-border service trade negative list, a cross-border service trade negative list applicable to all 21 FTZs is being prepared to expand the scope of opening and accumulate experience for greater openness in the future. From 2016 to 2022, a total of 278 institutional innovation results have been promoted across the FTZs.

The fourth major achievement has been the promotion of regional economic cooperation and global economic governance reform. Over the past decade, the number of free trade agreements (FTAs) China has signed has nearly doubled, growing from 10 to 19. Simultaneously, the trade volume between China and its FTA partners increased from 17% of China's total trade volume to 35% in 2023. In 2022, the Regional Comprehensive Economic Partnership (RCEP) came into effect, marking the launch of the world's largest FTA in terms of population and economic scale. China is also actively pushing to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Digital Economy Partnership Agreement (DEPA), indicating new strides towards higher-standard FTAs. In 2014, the APEC Leaders' Informal Meeting in Beijing propelled the 21 members to reach the "APEC Beijing Roadmap for an Asia-Pacific FTA". The 2016 G20 Summit in Hangzhou facilitated the adoption of the "G20 Global Investment Principles", laying the foundation for the World Trade Organization's (WTO) Investment Facilitation Initiative in 2017. China has also actively participated in WTO reforms, firmly upholding the multilateral trade system.

Over the past ten years, the basic experience gained from the reform and opening up of China's FTZs are the following:

Firstly, adhere to the centralized and unified CPC central leadership, combining top-level design with encouragement of grassroots innovation. In the 2012 report to the 18th CPC National Congress, the "acceleration of the FTZ strategy" was proposed. The Decision passed at the Third Plenary Session of the 18th Central Committee of the Communist Party of China called for "accelerating the construction of FTZs". In December 2014, Xi Jinping, General Secretary, made important instructions regarding the implementation of the FTZ strategy: "Accelerating the implementation of the FTZ strategy is an important part of our new round of opening up". "It is an inevitable choice for comprehensively deepening reforms and constructing a new open economic system, and also an important means for actively strategizing foreign relations and achieving foreign strategic goals". "Accelerating the FTZ strategy is a complex systemic project. It requires strengthening top-level design, planning the big picture, and not only focusing on immediate steps but also on the overall trend" (Xi, 2018). In 2015, the State Council issued "Several Opinions on Accelerating the Implementation of the FTZ Strategy", systematically proposing the overall requirements, basic principles, objectives, strategic layout, and main tasks for the construction of China's FTZs, indicating the direction and priorities for development. Under the centralized and unified leadership of the CPC Central Committee and the State Council, and while implementing top-level design, the CPC Central Committee and the State Council also encouraged cadres and the masses in FTZs to boldly innovate and be the first to try new approaches. Xi Jinping stated: "Feeling the stones to cross the river and strengthening top-level design are dialectically unified… We need to strengthen macro-level thinking and top-level design, pay more attention to the systematic, comprehensive, and coordinated nature of reforms, and also continue to encourage bold experiments and breakthroughs to deepen reform and opening up" (Xi, 2018). This encouragement of grassroots pioneering spirit has provided broad experimental space and practical ideas adapted to local conditions for each FTZ. Enthusiasm for establishing FTZs across the country is high, with many regions requesting approval to establish FTZs. After Shanghai took the lead in establishing an FTZ in 2013, three more FTZs were established in Guangdong, Tianjin, and Fujian in April 2015. The area of the Shanghai FTZ was also expanded. In August 2016, it was decided to establish seven new FTZs in Liaoning,

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Zhejiang, Henan, Hubei, Sichuan, and Shaanxi provinces and Chongqing Municipality. On April 30, 2018, Xi Jinping announced the decision to establish an FTZ in the whole province of Hainan at the 30th anniversary of Hainan's establishment as a province and explore the construction of a free trade port with Chinese characteristics. In August 2019, a decision was made to establish a new area of the Shanghai FTZ in Lingang, with a planned area of 873 square kilometers. On August 26, 2019, approval was granted to establish a new batch of FTZs in Shandong, Jiangsu, Hebei, Yunnan, and Heilongjiang provinces and Guangxi Zhuang Autonomous Region. On June 1, 2020, the CPC Central Committee and the State Council decided to establish a free trade port in Hainan and its reform plan. In September 2020, the State Council approved the establishment of FTZs in Beijing, Hunan, and Anhui provinces. The area of the 21 FTZs is nearly 40,000 square kilometers.

Secondly, leverage the characteristics and advantages of each FTZ to form a differentiated development pattern. With the promotion of the experiences of the Shanghai, Guangdong, Tianjin, and Fujian FTZs, the central government has granted greater reform autonomy to each FTZ. The 21 FTZs collectively have 28 construction plans, launching more than 3,400 reform pilot tasks. Despite having essentially consistent overall tasks and objectives, each FTZ highlights its own unique features in reform experiments. They continuously improve various types of economic and trade cooperation platforms, serving as carriers for international economic and trade cooperation space. Some have built investment platforms to facilitate two-way investment, others have developed industry platforms to deepen international industrial cooperation, and some rely on exhibition platforms to continuously deepen international trade and investment cooperation (Ministry of Commerce International Trade and Economic Cooperation Research Institute, 2021). The Shanghai FTZ, by establishing the Lingang New Area, has deeply promoted trade and investment facilitation and explored financial system opening through free trade accounts. This, combined with the construction of the Shanghai International Financial Center, has formed a financial innovation hub, facilitating cross-border flows of domestic and foreign currencies, steadily pushing forward the use and internationalization of the renminbi. The Shaanxi FTZ, leveraging its freight platform, operated 3,720 China-Europe freight trains (Chang'an) in 2020, 1.7 times the number of the previous year, transporting 2.811 million tons of goods, 1.6 times the amount of the previous year. Henan, Chengdu, and Chongqing FTZs have created new starting points for inland opening by operating China-Europe freight trains. The Shandong FTZ, relying on its port platform, has innovated at Qingdao Port with ten major technologies to create a smart terminal, achieving a new record of automated loading and unloading 44.6 standard boxes per hour (Ministry of Commerce International Trade and Economic Cooperation Research Institute, 2021). The Zhejiang FTZ has promoted the integrated development of the Yangtze River Delta, actively participated in the formation of the Yangtze River Delta FTZ Alliance, realized cross-harbor area oil supply between Zhejiang and Shanghai, and pushed for integrated maritime services. It has announced the China Zhoushan low-sulfur fuel oil bonded ship supply price, promoting the construction of an integrated oil and gas trading market through spot and futures linkage cooperation. The Fujian FTZ, utilizing the unique characteristics of the cross-Strait relationship, has actively developed economic and trade relations with the Taiwan region, attracting Taiwan businesses to participate in mainland construction, and introduced a series of policies beneficial to Taiwan. In 2021, the Fujian FTZ continued to grow its industrial development platform, adding approximately 11,900 new enterprises. The Xiamen integrated circuit industry has continuously optimized public services on its integrated circuit platform, advanced bonded research and development pilots, and in 2021, completed foreign payments of 27 million US dollars, a 2.9-fold increase compared to the previous year. The Guangdong FTZ has formed a new development pattern of Guangdong-Hong Kong-Macao cooperation through "five freedoms". The Beijing FTZ, focusing on the Beijing-Tianjin-Hebei coordinated development, has built a national technology innovation center, focusing on service openness and creating a globally collaborative innovation service model for the Beijing-Tianjin-Hebei region. The Hunan FTZ, based on the strategy of central China's development, has strived to build

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an international investment and trade corridor connecting the Yangtze River Economic Belt and the Guangdong-Hong Kong-Macao Greater Bay Area. This FTZ has created a direct logistics chain between Hunan, Hong Kong, and Macao, which focuses on the development of China-Africa economic and trade cooperation; it operates an international inland port in Chenzhou and a central and western distribution center for bonded goods in the Guangdong-Hong Kong-Macao Greater Bay Area. The Anhui FTZ actively serves the Belt and Road Initiative, investing in projects along the Belt and Road countries, driving international capacity cooperation with core technology and complete sets of biotechnology equipment. Although the Hainan FTZ started relatively late, it was directly upgraded to a free trade port experiment on June 1, 2020, and is preparing to implement complete operation by 2025.

Thirdly, adhere to the linkage between opening up to the outside world and domestic reform, using opening up to promote reform. The FTZ is a crucial platform mechanism for China's opening up to the outside world. Throughout the ten-year development of the FTZs, the principle of linking external opening with internal reforms has always been upheld to use opening up as a catalyst for reform. To support the development of the FTZs, the state has introduced a series of special policies to address specific issues encountered in their construction. In 2018, the "State Council's Notice on Several Measures to Support the Deepening of Reform and Innovation in the FTZs" was issued; it introduced 53 reform measures that increased empowerment of FTZs. In 2019, the "State Council's Notice on Carrying Out the 'Separation of Licenses and Permits' Reform Pilot in the FTZs" was issued. In 2020, the "State Council's Approval of Several Measures to Support the Open Development of the Entire Oil and Gas Industry Chain in the China (Zhejiang) FTZ" was released. In 2021, the "Several Measures to Promote Trade and Investment Facilitation Reform and Innovation in FTZs" was issued. These opening measures, while further intensifying reform and innovation in the FTZs, also accelerated domestic reforms. By aligning with higher international economic and trade standards, the pressure and momentum for domestic reform have increased, achieving the goal of "using opening up to promote reform". Especially in promoting the government's reform known as "streamline administration, delegate power, and optimize services", a market-oriented, law-based international business environment has been created, effectively promoting government institutional and functional transformation. Taking Hainan as an example, by the end of 2019, 97% of the pilot tasks identified in the "Overall Plan for the China (Hainan) FTZ" had been implemented. Particularly, the deepening of the "streamline administration, delegate power, and optimize services" reform, measures like "one-net government service" and "streamlined approval" have shown significant effects, with 85% of government services being handled without face-to-face interactions, and the time to start a business being reduced to three working days. The Hainan FTZ has summarized 71 cases of institutional innovation in six batches, with innovations such as "securitization of intellectual property rights" being evaluated as ready for national replication and promotion. The improvement of the business environment attracted enterprises to settle in Hainan; in 2019, Hainan added 220,000 new market entities, a 71% year-over-year increase, averaging 670 new entities per day. Twenty-eight Fortune Global 500 companies settled in Hainan, with a cumulative total of 33 enterprise headquarters. That year, the Hainan FTZ saw the number of new foreign-funded enterprises and the actual use of foreign investment grow by more than 100%. Service trade exports grew by 33%, achieving a trade surplus of 650 million yuan. Forty-three international and domestic maritime trade routes were opened, covering major ports in Southeast Asia. The number of international flight routes reached 103, connecting 62 cities abroad, and in 2019, Hainan received 1.44 million inbound tourists, a 14% increase year-over-year.

Fourthly, maintain a balance between opening up to the outside world and safeguarding national security. China has always resolutely maintained the security bottom line to ensure national security and social stability. In specific areas of opening up, such as goods trade, service trade, and investment, the comprehensive national security perspective is always considered. According to the opinions of various industry authorities, the assessment of open security risks under the "one-line release, two-

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line control" approach is carried out. Based on the actual situation of domestic economic and industrial development and starting from the overall national interest, China maximizes the protection of relatively vulnerable sensitive industries in expanding the industrial opening of FTZs, minimizing and mitigating the negative impact of opening up on these industries. In the construction of FTZs, China prioritizes the opening of industries with comparative advantages while providing appropriate protection for weaker industries. Especially in the zero-tariff goods opening in the Hainan FTZ, a phased approach is adopted, prioritizing the opening of production materials before consumer goods. Regarding the rules of origin, a rule utilizing the local processing value-added ratio in Hainan is applied. China prioritizes new rules and concepts that align with national developmental interests, cautiously evaluates rules that are somewhat risky but consistent with the direction of development, and gradually adopts them; comprehensive assessments are made for rules that could potentially harm national security interests, handling them cautiously and always safeguarding the bottom line of major and core interests.

2. Current Challenges and Issues Facing the Development of FTZs

The development of China's FTZs currently faces challenges both from changes in the external environment and from issues within their own development:

First, compared to ten years ago, the global economic growth rate has tended to decline, with expectations of uncertainty and a decrease in trade and investment flows; China's foreign trade and attraction of foreign investment were influenced by the external environment.

Table 1: World Economic Total and Growth Rate, 1990-2020 (Trillion US dollars, %)

1990	1995	2000	2005	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
23.45	30.93	33.87	47.58	65.96	73.17	74.54	76.60	78.66	74.43	75.48	79.86	82.81	85.46	84.71
3.3	3.7	4.8	4.9	5.4	4.3	3.5	3.5	3.6	3.5	3.2	3.8	3.7	3.2	-3.6

Note: The amounts are GDP calculated in current US dollar, and the growth rates are constant price GDP growth rates.

Source: World Economic Outlook Database (April 2018), IMF. Data post-2018 are published annually. Additionally, according to the World Bank data, the world GDP in US dollar for the years 2018, 2019, 2020, and 2021 were respectively 86.46 trillion, 87.65 trillion, 85.11 trillion, and 96.51 trillion, with growth rates of 3.3%, 2.6%, -3.1%, and 5.9%. World Bank World Development Indicators database (https://data.worldbank.org).

As shown in Table 1, since 2013 global economy has basically shown a growth downward trend. This trend became more pronounced after the United States initiated a trade war in 2018. The IMF has stated that the trade war between the United States and other countries could reduce the global economic growth rate by 0.5 percentage points by 2020, resulting in a loss of about 430 billion US dollars in global GDP. According to an article on the IMF website, the global growth rate in 2019 was the slowest since the 2008-2009 global financial crisis. Increases in trade barriers and related uncertainties have adversely affected business confidence and economic activity worldwide. In 2020, the global economy experienced negative growth due to the COVID-19 pandemic. In 2021, there was some recovery, with the IMF's World Economic Outlook stating that the global economy increased from 85.24 trillion US dollars in 2020 to 96.29 trillion US dollars in 2021, a growth rate of 6%. The US economy totaled 22,997.5 billion US dollars in 2021, with its share of the global economy decreasing from 24.51% in the previous year to 23.88%; the Chinese mainland's economy totaled 17,458 billion US dollars, increasing its global share from 17.44% in the previous year to 18.13%. The economic gap between China and the US narrowed from 6.03 trillion US dollars in the previous year to 5.54 trillion US dollars, with China's economy as a percentage of the US increasing from 71.13% in 2020 to 75.91% in 2021. The IMF has downgraded its global economic growth forecast four times in 2022, estimating a global GDP growth rate of 3.2% for the year, a significant decrease of 2.8 percentage points compared to 2021. Apart from a few Southeast

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Asian countries where economic growth rates are still rising, most of the world's economies are experiencing significant slowdowns. The GDP growth rate of the United States decreased from 5.7% in 2021 to 1.6% in 2022, and that of the Eurozone from 5.2% to 3.1%, whereas the average growth rate of all developed economies decreased from 5.2% to 2.4%.

Since 2012, world goods trade has been in a state of long-term low and negative growth, with only minor recoveries in 2017 and 2018, a trend that continued due to the global COVID-19 pandemic in 2020(see Table 2).

Table 2: World Goods Trade Situation, 1990-2020 (Unit: Million US dollars)

	Export	Import	Total trade (Exports and imports)	Export growth rate (%)	Import growth rate (%)	Total trade growth rate (%)
1990	3,489,739	3,599,975	7,089,714	12.6	12.3	12.5
1991	3,511,359	3,628,449	7,139,808	0.62	0.79	0.71
1992	3,779,172	3,900,517	7,679,689	7.63	7.50	7.56
1993	3,794,694	3,894,426	7,689,120	0.41	-0.16	0.12
1994	4,328,264	4,428,573	8,756,837	14.06	13.72	13.89
1995	5,167,620	5,285,272	10,452,892	19.39	19.34	19.37
1996	5,406,052	5,547,270	10,953,322	4.61	4.96	4.79
1997	5,592,319	5,738,660	11,330,979	3.45	3.45	3.45
1998	5,503,135	5,682,580	11,185,715	-1.59	-0.98	-1.28
1999	5,719,381	5,926,281	11,645,662	3.93	4.29	4.11
2000	6,454,020	6,647,491	13,101,511	12.84	12.17	12.50
2001	6,196,440	6,406,946	12,603,386	-3.99	-3.62	-3.80
2002	6,500,713	6,656,539	13,157,252	4.91	3.90	4.39
2003	7,590,832	7,771,071	15,361,903	16.77	16.74	16.76
2004	9,222,553	9,473,361	18,695,914	21.50	21.91	21.70
2005	10,510,292	10,785,263	21,295,555	13.96	13.85	13.90
2006	12,131,449	12,368,788	24,500,237	15.42	14.68	15.05
2007	14,032,003	14,268,847	28,300,850	15.67	15.36	15.51
2008	16,170,529	16,496,984	32,667,513	15.24	15.62	15.43
2009	12,565,091	12,714,737	25,279,828	-22.30	-22.93	-22.61
2010	15,303,993	15,438,092	30,742,085	21.80	21.42	21.61
2011	18,343,601	18,438,364	36,781,965	19.86	19.43	19.65
2012	18,514,486	18,657,296	37,171,782	0.93	1.19	1.06
2013	18,969,946	18,966,119	37,936,065	2.46	1.66	2.06
2014	19,011,072	19,060,809	38,071,881	0.22	0.50	0.36
2015	16,558,147	16,733,507	33,291,654	-12.90	-12.21	-12.56
2016	16,045,249	16,211,194	32,256,443	-3.10	-3.12	-3.11
2017	17,742,931	17,985,896	35,728,827	10.58	10.95	10.76
2018	19,550,439	19,836,342	39,386,781	10.19	10.29	10.24
2019	19,014,680	19,284,167	38,298,847	-2.74	-2.78	-2.76
2020	17,582,919	17,812,107	35,395,026	-7.53	-7.63	-7.58

Data source: https://data.wto.org/

As shown in Table 3, from 2013 to 2019, world service trade was significantly lower than in the previous decade. In 2020, world service trade was hit even harder by the COVID-19 pandemic. According to an analysis by the Bank of England, the impact on service trade was greater than on goods trade. In 2020, global service trade declined by more than 14%, almost four times the decline in goods

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trade (-7.5%). The pandemic's impact varied significantly among countries. The decline in China's trade was smaller than in other regions, and its trade recovery was relatively strong. The pandemic had a huge impact on transportation costs. Since May 2020, transportation costs have increased by nearly 350%, mainly due to regional trade imbalances caused by the pandemic. The shortage of shipping containers was particularly acute. According to the World Trade Organization (WTO) website, in 2020, the world's total service exports and imports were 5,189,800 million US dollars and 4,920,155 million US dollars, respectively, with export and import growth rates of -14.44% and -14.14%.

Table 3: World Service Trade Situation, 1990-2019 (Unit: Million US dollars)

	Export	Import	Total trade (Exports and imports)	Export growth rate (%)	Import growth rate (%)	Total trade growth rate (%)
1990	788,672	823,017	1,611,689			
1991	832,576	853,228	1,685,804	5.57	3.67	4.60
1992	931,832	949,249	1,881,081	11.92	11.25	11.58
1993	950,043	962,741	1,912,784	1.95	1.42	1.69
1994	1,042,530	1,047,241	2,089,771	9.74	8.78	9.25
1995	1,179,435	1,189,123	2,368,558	13.13	13.55	13.34
1996	1,273,083	1,263,044	2,536,127	7.94	6.22	7.07
1997	1,329,776	1,299,123	2,628,899	4.45	2.86	3.66
1998	1,346,855	1,306,596	2,653,451	1.28	0.58	0.93
1999	1,405,852	1,378,300	2,784,152	4.38	5.49	4.93
2000	1,491,319	1,463,740	2,955,059	6.08	6.20	6.14
2001	1,492,725	1,482,306	2,975,031	0.09	1.27	0.68
2002	1,597,573	1,561,255	3,158,828	7.02	5.33	6.18
2003	1,851,369	1,792,782	3,644,151	15.89	14.83	15.36
2004	2,250,430	2,146,007	4,396,437	21.55	19.70	20.64
2005	2,516,187	2,384,272	4,900,459	11.81	11.10	11.46
2006	2,845,410	2,665,979	5,511,389	13.08	11.82	12.47
2007	3,421,351	3,174,475	6,595,826	20.24	19.07	19.68
2008	3,847,065	3,635,060	7,482,125	12.44	14.51	13.44
2009	3,488,683	3,300,083	6,788,766	-9.32	-9.22	-9.27
2010	3,827,680	3,613,441	7,441,121	9.72	9.50	9.61
2011	4,295,417	4,055,857	8,351,274	12.22	12.24	12.23
2012	4,396,998	4,173,930	8,570,928	2.36	2.91	2.63
2013	4,644,377	4,381,350	9,025,727	5.63	4.97	5.31
2014	5,169,650	5,026,580	10,196,230	11.31	14.73	12.97
2015	4,929,609	4,788,473	9,718,082	-4.64	-4.74	-4.69
2016	5,018,378	4,823,979	9,842,357	1.80	0.74	1.28
2017	5,451,488	5,208,133	10,659,621	8.63	7.96	8.30
2018	5,948,892	5,604,743	11,553,635	9.12	7.62	8.39
2019	6,065,637	5,730,627	11,796,264	1.96	2.25	2.10
2020	5,189,800	4,920,155	10,109,955	-14.44	-14.14	-14.30

Data source: https://data.wto.org/

Since the 1990s, direct global investment grew continuously, peaking in 2007 with a record inflow of 1.98 trillion US dollars, but due to the international financial crisis in 2008, there was a continuous decline and weak recovery for seven years until it returned to 2007 levels in 2016. Since then, there has

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been a downward trend. According to UNCTAD data, global foreign direct investment (FDI) fell from almost 2 trillion US dollars in 2016 to 1.5 trillion US dollars in 2019. The 2020 pandemic caused a cliff-like drop in global FDI to less than 1 trillion US dollars, rebounding to 1.58 trillion US dollars in 2021. However, with the escalation of the Russia-Ukraine conflict, global FDI flows decreased by 31% in the second quarter of 2022 compared to the first quarter, and by 7% compared to the quarterly average of 2021. UNCTAD predicts a decline in global FDI for 2022, at best equal to the previous year. Amid weakening global FDI growth momentum, China's net inflow of direct investment decreased by 34.4% year-over-year in the first three quarters of 2022. The Ministry of Commerce's actual use of foreign direct investment maintained double-digit growth but is also slowing down. In 2022, actual use of foreign direct investment grew by 8% year-over-year, a decrease of 13.8 percentage points from the first half of the year and 12.2 percentage points from the previous year.

Table 4: International Direct Investment Inflows, 2008 to 2020 (Unit: Billion US dollars)

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Inflow Volume	16,974	10,403	11,220	15,238	13,360	14,563	14,039	20,418	19,835	17,005	14,952	15,399	9,239

Data source: United Nations Conference on Trade and Development (UNCTAD) statistical database.

The decline in global trade and investment flows over the past decade has been influenced by the COVID-19 pandemic, but the underlying factor is the loss of momentum in intermediate goods trade and investment driven by the deepening of international division of labor, a key engine of growth in world trade and investment. This reflects changes in the world's intra-industry and intra-product division of labor, especially in vertical specialization and the trade and investment it drives. The new manufacturing paradigms driven by the technological revolution, as well as changes in production structures and corporate organizational forms, have not yet become trends in large-scale industrial development. The new global division of labor driven by these changes is not yet mature and unfolding. Until then, the rapid development of world trade and investment is unlikely to be replicated (Pei, 2015). Against this backdrop, China's foreign trade has been less affected, especially in 2020 and 2021, due to successful pandemic control and good resumption of work and production, resulting in a counter-trend growth in foreign trade. However, the growth rate of foreign investment absorption has also significantly decreased.

Second, the surge of anti-globalization sentiment, trade protectionism, and unilateralism. Following the international financial crisis, Western countries, led by the United States, ignited an anti-globalization movement, with some countries implementing trade protectionist policies. A WTO statistical study shows that WTO member economies have introduced more than 2,100 trade-restrictive measures since the 2008 global financial crisis. The United States has particularly championed protectionism, implementing 624 trade protection measures in 2015 alone, nine times the number of 2009 (Zhang, 2017). The rise in protectionist measures indeed reflects a trend towards economic protection by countries, with the United States becoming a vanguard of anti-globalization. From August to October 2008, US media published a large number of articles opposing economic globalization, including 52 by The Washington Post, 43 by *Newsweek*, 19 by *Time* magazine, and 14 by *The Chicago Review*, a remarkable event in the history of American journalism. After the Trump administration took office, the United States launched a trade war with increased tariffs, strengthening control over foreign economic and trade relations and introducing a series of protectionist and unilateral policies. These policies have been continued by the Biden administration to date. Occasional calls for "unilateral sanctions" and "decoupling" have a very harmful impact on the recovery of the world economy and the growth of trade and investment.

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Third, severe impact of the COVID-19 pandemic and the Russia-Ukraine conflict on the world economy and trade. From the end of 2019 to the end of 2022, the entire world was severely impacted by the COVID-19 pandemic. Businesses halted operations, industrial and supply chains were disrupted, port operations were suspended, maritime transport came to a standstill, and international personnel exchanges were halted, greatly affecting the economies of all countries. In 2020, the world economy experienced negative growth, followed by a slight recovery in 2021. However, the recovery appeared weak post-2022. The Russia-Ukraine conflict, which began in February 2022, is ongoing with a distant prospect for peace. This has led to global food shortages and supply chain disruptions for some primary products. In April 2023, the IMF released its latest World Economic Outlook, projecting only 2.8% global economic growth for 2023. It stated that the future economic outlook is filled with uncertainties due to high inflation, the ongoing Ukraine crisis, and the remaining impacts of COVID-19. In the medium term, the global economy is unlikely to return to pre-pandemic growth rates, with expected global economic growth rates to remain around 3% over the next five years, lower than the 3.8% average of the past two decades.

In terms of reform experiments in FTZs, there are also some internal issues:

First, there are some misconceptions about how to properly handle the relationship between deepening reform, institutional innovation, and driving local economic development within and outside the FTZs. Many still see FTZs as policy havens, hoping to attract investment through preferential policies, rather than through reform experiments, institutional and regulatory changes, and business environment improvements. In terms of investment attraction strategies, there is still a reliance on old methods such as using cheap land and labor to attract foreign investment, only considering how to benefit from the world without considering what can be offered to the world, thus lacking innovative thinking. In terms of industrial development, there is a one-sided emphasis on production for export with no consideration of the advantage of China's vast domestic market. In the development of the financial industry, there is a lack of understanding of finance influence on the real economy, with an excessive offer of financial products and financial transactions to attract financial capital and become a "financial center", rather than focusing on developing financial services needed by the real economy such as production, exchange, logistics, and storage, leading to a misconception that FTZs are financial paradises similar to foreign free ports.

Second, the FTZs' autonomy in reform experiments is not sufficient, affecting the depth of reform experiments and systematic integration of institutional innovation. FTZs are not policy havens but should have significant autonomy for reform experiments. If the reform experiments are tightly bound by the regulations of various departments, it becomes difficult to deepen the reforms. Since the opening of service trade is an important part of FTZs, the common phenomenon of "access without operation" exists in attracting domestic and foreign investors to set up businesses in the zones; for example, if an industry is managed by a specific department, investors might get market access in the FTZ, but the operating permits granted under the regulation of the industry authority are limited, leaving investors unable to operate. To address this issue, some FTZs have introduced the "separation of permits and licenses" approach, which is a reflection of the lack of autonomy in the leading departments of reform experiments.

Third, there is an imbalance in the industrial development levels among different FTZs. The Shanghai FTZ, relying on the manufacturing development advantages of Shanghai, has already shown significant development in integrated circuits, artificial intelligence, biomedicine, and new energy vehicles (Huang et al., 2022). The Hubei FTZ has gradually completed the entire industry layout of the new generation of information technology, achieving an output value of over 500 billion yuan by the end of 2021, with a domestic market share of over 50% and an international market share of about 25%. The Hefei area in the Anhui FTZ has gathered 300 integrated circuit enterprises, successfully advancing the domestic production of DDR4 memory chips, significantly narrowing the technological gap with foreign chips. The Chongqing FTZ has built a manufacturing and research and development base for intelligent terminal products, forming an industrial cluster with an annual output of over one hundred billion yuan

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(Chinese Academy of International Trade and Economic Cooperation, 2022). However, the industrial levels in many FTZs are not sufficient, especially in some western provinces and regions, requiring more strenuous efforts and longer time to construct supply chains and sizable industrial clusters.

Fourth, the operation of the FTZs is not sufficiently aligned and integrated with national strategies. While it is correct for FTZs to focus on their own development, as outward-facing entities and vanguards of reform and opening up, they must also "embrace the world" and closely align with the country's external economic and diplomatic strategies. This approach enables them to become hubs where various interests converge. China's Free Trade Area (FTA) strategy started with the establishment of bilateral FTAs, beginning with the first framework agreement signed with ASEAN in 2002. Over 20 years, China gradually developed 19 FTAs with 26 countries and regions, initially forming a network of FTAs based on neighboring regions, radiating along the "Belt and Road", and facing the world. The 18th National Congress of the Communist Party of China proposed "accelerating the implementation of the FTA strategy". In December 2015, the State Council issued "Several Opinions on Accelerating the Implementation of the FTA Strategy", the first strategic and comprehensive document since the initiation of China's FTA construction, which explicitly proposed gradually building a high-standard FTA network based on neighboring regions, radiating along the "Belt and Road", and facing the world. The 19th CPC National Congress further proposed promoting the construction of FTAs and promoting the development of an open world economy. Therefore, FTA construction has two aspects: one jointly established with trade partners, and the other independently determined by China. The coordination of these two aspects to maximize their constructive interaction is a matter requiring deep contemplation. "Diplomatic strategies surrounding neighboring countries" and the Belt and Road Initiative are major measures for promoting an open world economy, and the China International Import Expo is an important platform for developing China's open economy. An issue that needs deep consideration is the way in which FTZs can integrate with these strategies.

3. Strategic Vision for Enhancing China's FTZs

First, it is crucial to accurately recognize and analyze the global economic situation. Within risks lie opportunities, and crises can be turned into opportunities. The challenges are unprecedented, but if addressed effectively, the opportunities can be equally unparalleled.

The report to the 20th National Congress of the Communist Party of China points out, "Currently, the world is undergoing changes, the likes of which have not been seen in a century". Whereas the historical trend determines that humanity's future is ultimately bright, deficits in peace, development, security, and governance are intensifying. "Human society faces unprecedented challenges, and the world stands at a historical crossroads once again, where the direction depends on the choices of the people of all countries" (Xi, 2022). China's choice is to steadfastly pursue a mutually beneficial open strategy, continuously providing new opportunities to the world, promoting the construction of an open world economy. China adheres to economic globalization, promotes trade and investment liberalization and facilitation, advances bilateral, regional, and multilateral cooperation, fosters international macroeconomic policy coordination, and jointly creates an international environment conducive to global development. China's FTZs are a major initiative for the realization of this concept. In response to the uncertain international situation, President Xi Jinping pointed out, "On one hand, peace and development remain the theme of the times, with the new round of scientific and technological revolution and industrial transformation deepening, profound adjustments in the international balance of power, and the concept of a community with a shared future for humanity taking root. On the other hand, instability and uncertainty in the international situation have significantly increased, with the COVID-19 pandemic having a widespread and profound impact, economic globalization facing headwinds, populism and xenophobia on the rise, and unilateralism, protectionism, and hegemonism posing threats to world peace

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and development". "Our assessment is that danger and opportunity coexist, with danger containing opportunities and capable of being transformed into them. The opportunities are more strategic and malleable, while the challenges are more complex and global. If we respond well, the opportunities will be unprecedented" (Xi, 2022).

In fact, the "decoupling" advocated by some politicians in Western countries is not objectively possible. According to US data, the total trade volume between the US and China reached a record high of 690.6 billion dollars in 2022. Data released by China's General Administration of Customs on January 13 show that in 2022, the China-US trade volume increased by 0.6% year-over-year, reaching 759.427 billion dollars. China's exports to the U.S. were 581.783 billion dollars, up 1.2%, and imports from the U.S. were 177.644 billion dollars, down 1.1%. According to China's Ministry of Commerce statistics, China's actual use of foreign capital in 2022 was 1,232.68 billion yuan, up 6.3% year-over-year. Recently, the American Chamber of Commerce in China stated that the Chinese market is not an "option" but a "necessity" for American businesses, and the Chamber will seize new development opportunities together with its member companies. The US-China Trade National Committee believes that "linking" the two countries is a good policy that benefits the people of both nations. China will always adhere to open cooperation, providing opportunities to the world with its own development. Moreover, in 2022, despite the severe pandemic situation, the 21 FTZs still achieved remarkable investments. From January 1, 2022, a new version of the negative list for foreign investment access in the FTZs was implemented, achieving zero entries in manufacturing and continued expansion in the service industry. Throughout the year, the 21 FTZs actually used foreign capital of 222.52 billion yuan, accounting for 18.1% of the national total. Among them, the actual use of foreign capital in high-tech industries was 86.34 billion yuan, up 53.2% year-over-year. At the same time, various regions continued to introduce innovative measures, with Guangxi, Yunnan, and Heilongjiang further promoting the development of border trade. Shaanxi innovated the cross-border e-commerce bulk cargo "customs declaration first, boxing later" model, improving customs clearance efficiency by 2-3 days. In 2022, the 21 FTZs achieved a total import and export volume of 7.5 trillion yuan, up 14.5% year-over-year, accounting for 17.8% of the national total. This fully proves that if we respond properly, we can still win significant development opportunities.

Second, a new development pattern should guide the reform and construction of FTZs.

It is necessary to shift our approach and implement innovation-driven strategies. While some past experiences of development zones can still be utilized, they are far from sufficient. Attracting investment remains crucial, but compared to the past, the scenario of foreign investors flocking in, extensive land development, and factories emerging overnight is unlikely to reoccur in the near future. Therefore, more effort should be placed on reform experiments, especially in the field of service trade, focusing on promoting institutional openness, advancing the openness of rules, regulations, management, and standards. Based on past experiences of various FTZs, such reforms and openness generally start with small initiatives, employing a tactic of gradual, incremental progress. There should be no illusion of enacting a major policy that changes everything overnight; such illusion is unfounded. As President Xi Jinping pointed out, "Reform and opening up is an unprecedented new undertaking. We must adhere to the correct method and advance in constant practice and exploration". "We should adopt a pilot exploration approach, throwing a stone to ask the way. Once we have gained experience, formed a consensus, and are very sure and feel it's very steady to push forward, then we can expand, accumulating small victories for a big victory" (Xi, 2018). Starting with small initiatives and progressing incrementally, systematically integrating, and accumulating small victories for a big one should become the basic model for future reform experiments in the FTZs. Persisting in this approach for several years will inevitably yield significant results.

The development and construction of FTZs should also shift from the past over-reliance on foreign capital. The construction of FTZs should be guided by the concept of building a new development

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pattern, focusing on the domestic cycle as the mainstay and the mutual promotion of domestic and international dual circulations. The main reason to build a new development pattern with the domestic cycle as the mainstay and the mutual promotion of domestic and international dual circulations is based on the domestic cycle high strength and reliability. The concept of "creating an important connection point for the domestic cycle and a core intersection point for the domestic and international cycles (Huang et al., 2022)" should also promote the development and construction of FTZs. We should shift the mindset of attracting foreign investment from the old approach of using cheap resource elements in exchange for capital, to a new approach of attracting high-quality investment through high-quality offerings, strong alliances, shared resources, and mutual benefits. In economically developed provinces and cities, efforts should be made to attract domestic enterprises with high levels of digitalization, intelligence, and low carbon emissions, as well as some high-quality specialized, precise, special, and new "little giant" enterprises to settle in the FTZs. These enterprises should seek industrial chain and supply chain partners worldwide and attract them to invest and establish factories in their FTZs, creating front and back linkage for industrial cooperation. For example, the Shanghai FTZ should become a major carrier for reshaping China's national competitive advantages (Huang et al., 2022). At the same time, the full advantage of China's vast market should be used to attract domestic and foreign enterprises to build trade and commercial sales channels in the FTZs, establish warehousing facilities and logistics supply chains, and create distribution channels and commercial capabilities for imported goods to enter the Chinese market. Financial enterprises in the FTZs should adopt the concept of serving the real economy, enhance their capabilities in trade financing, equipment leasing financing, warehousing and logistics financing, and also provide financial services for imported goods entering the Chinese market, expanding the scope of consumer financing services. Financial openness for cross-border capital flows should also adhere to the principle of serving the real economy, strengthen regulation of purely financial product transactions, and prevent the financial sector from becoming detached from reality.

Third, greater reform autonomy should be granted to the FTZs, with a focus on steady progress while solidly advancing their reform experiments.

On July 9, 2021, Xi Jinping, General Secretary of the CPC Central Committee, presided over the 20th meeting of the Central Comprehensive Deepening Reform Committee. The meeting emphasized the need to deepen high-level institutional opening up by granting more reform autonomy to the FTZs, strengthen the integrated system of reform and innovation, balance openness and security, promptly summarize experiences for replication and promotion, and strive to build FTZs with international influence and competitiveness so that they can play a leading and demonstrative role in reform and opening up (Xinhua News Agency, 2018).

Granting greater reform autonomy to FTZs involves: (i) Allowing them to independently adjust their area, size, and functions. Aside from Hainan Province and Shanghai, other provincial FTZs are roughly 120 square kilometers in size, sufficient for experimentation but insufficient to drive provincial-level open development. Therefore, it is needed to expand the test areas and sizes and adjust the capacity of certain functions. (ii) Further reducing customs costs and enhancing the level of trade facilitation. Current reforms in various FTZs focus on saving time costs and have achieved significant effects, but customs fees remain high and need reform. Fujian FTZ pioneered "one-stop inspection", reducing inspection time by 50% and costs by 600 yuan per container; Xiamen continued to reduce costs at ports, guiding state-owned enterprises to lower fees, leading to reductions in charges for customs, freight forwarding, shipping agencies, logistics, storage, and port services. In 2019, Xiamen port's container import and export compliance costs dropped to 207 US dollars per TEU, significantly lower than the customs costs in the UK, Germany, and Japan in 2016. These experiences should be gradually promoted across all FTZs and nationally. (iii) Addressing the issue of "entry without operation". Gradually synchronizing entity licensing with operational licensing is an important part of deepening reforms, resolving discrepancies and policy incoherence between entity entry and operational entry. Moving from

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"separation of certificates and licenses" to "unification of certificates and licenses" is a step forward. (iv) Strengthening and perfecting the coordination among government departments. As service trade opening involves many public goods and services, the scope of policy coordination needs to be expanded to include transportation, communication, municipal management, health and medical care, education, culture, media, sports, technology, and social insurance. Currently, limiting FTZs' policy coordination to commerce, economics, and finance is insufficient. The scope of policy coordination should be expanded, and local government department coordination and regulatory responsibilities should be strengthened and improved.

Fourth, orderly expand the opening of the service sector to foreign involvement and cautiously promote the internationalization of the renminbi.

To advance trade and investment facilitation, continue to promote transportation convenience, establish a more open shipping, rail, and air transport system. In port cities, develop Chinese-flag ports and support these ports in conducting ship registration, managing shipping operations, and mariner systems within domestic (global) Free Trade Ports. Expand and optimize the China-Europe Railway Express system, allowing more cities to join the network, further relax airspace and flight route restrictions, optimize shipping routes, encourage capacity increases, and open new routes and flights. Enhance the level of transportation convenience and service guarantees, and improve the freedom and ease of transport interactions. Continue to open up personnel mobility, implement more open residency policies for high-end industrial talents in FTZs, and create talent hubs. Under effective foreign security risk control, implement more convenient immigration policies. Provide entry and exit conveniences for foreign high-level talents in investment, academic exchanges, and economic and trade activities. Optimize border inspection management for business personnel and cruise yachts, providing entry and exit customs conveniences. Continue to advance the opening of data flow, ensuring safe and controlled data flow. Expand data field openness under secure and controllable conditions, innovate security system designs, achieve data convergence, and develop the digital economy. Orderly expand the opening of telecommunication resources and services. Open value-added telecommunications services, and gradually remove foreign shareholding restrictions. Allow entities registered and service facilities within the Hainan Free Trade Port to engage in online data processing and transaction processing services for the whole Free Trade Port and internationally.

As China moves towards a new development pattern and a new stage of high-quality development, there is still considerable room for further opening up in the service sector. For instance, the opening of cultural and medical service sectors needs more problem-oriented top-level design and practical steps. For example, the "going global" of culture needs a shift from quantity to quality. As of the end of December 2019, China had established 551 Confucius Institutes and 1,193 Confucius Classrooms in schools across 154 countries and regions. Chinese language and culture have had a certain impact worldwide, but quality varies, and some are merely formal or only serve as cultural "contact points". Breakthroughs are also needed in the medical field. The opening of education, culture, and medical services should be tailored to different industry characteristics, focusing on industries with stronger commercial nature and weaker welfare nature. For example, in education, take greater steps in professional technical and skill training services to create a competitive market; general education should adopt various forms, such as increasing course openness, professional openness, and not only focus on cooperative education and degree acquisition. The opening of the medical field should aim to supplement domestic medical resources, introduce advanced medical technology, equipment, and medical personnel, and better utilize foreign resources and markets. This requires comprehensive solutions to issues of how opening up and domestic reform coordinate, considering medical device and drug procurement systems, medical personnel mobility, and medical insurance coverage. The goal of cultural opening should be to enhance the global influence of Chinese culture and rely on the domestic large-scale market to cultivate the export competitiveness of cultural products.

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China's financial opening aims to help maintain the stable operation of the world economy and international financial markets, promoting global development. Based on Shanghai's experience in financial opening and building an international RMB financial center, China's basic path to financial opening and innovation is to steadily integrate into the US dollar-dominated international currency system, implement managed and controllable opening channels, and realize cross-border integration of domestic and foreign currencies under current and new capital accounts. However, while integrating into the current international currency system, it is necessary to maintain relative independence, maintain and enhance the RMB's dominant position domestically and regionally, continuously expand RMB international trade settlement, offshore markets, and various international transactions, expand and improve the cross-border RMB circulation system (CIPS), promote RMB towards a central position in world economy and finance, and make RMB a significant support for the new development pattern with domestic circulation as the mainstay and domestic and international circulations reinforcing each other.

Based on the experience of the Shanghai FTZ Lingang New Area, financial innovation should progress orderly according to the needs of the real economy, promoting free and convenient movement of funds between FTZs and overseas. The following are some of the initiatives needed to realize financial innovation. Construct a multifunctional free trade account system, building a financial opening foundation platform based on existing domestic foreign currency accounts and free trade accounts. Through financial account segregation, establish a "virtual financial fence" to provide the basic conditions for free and convenient cross-border capital flow between FTZs and overseas. Facilitate cross-border trade and investment fund flow. Further promote the facilitation of cross-border goods trade, service trade, and new international trade settlement, shifting bank authenticity checks from pre-examination to post-review. In cross-border financing, explore a new foreign debt management system and improve the management of corporate foreign debt registration.

Promote RMB internationalization, adhere to market-driven and enterprise-autonomous choices, creating a new type of mutually beneficial cooperation based on the free use of RMB. One path of RMB internationalization since the reform and opening up is its integration into the US dollar-centered international currency system, and its deepening depends on the degree of openness under RMB capital accounts. Another path is to continuously expand RMB's role in international trade settlement and payments, keeping RMB international currency functions. Without the former, it is challenging to expand the use of overseas resources and markets, and difficult to cultivate RMB's international credibility and world currency functions. But relying solely on the former would lose RMB's independence and the domestic economy's home field function. Thus, RMB internationalization needs to "walk on two legs". One is to cautiously continue along the path of integrating RMB into the US dollar-centered international currency system, always considering international financial and national security risks. The other is to use the increasingly high international reputation of RMB assets, based on RMB becoming part of many countries' foreign exchange reserves and the balance sheets of many international companies, break the US dollar's absolute monopoly, innovate the international currency system, and establish an RMB international payment system as a supplement. With digital technology breakthroughs and internet domain expansion, China should support large-scale digital enterprises with root servers for cross-border operations, using China's independent international information system to promote the establishment of an RMB international payment system, shaping a new RMB international transaction dual structure. Retain the connection with the US dollar-centered international currency and international capital payment systems as the main channel, while striving to cultivate a relatively independent East Asian regional inter-bank RMB payment and clearing system as a supplementary channel, accelerating RMB's free convertibility in East Asia, making it a regional system of the international capital payment system.

Fifth, promote innovative trade development to build a strong trade nation.

A strong trade is an important goal in building a modern socialist country. Therefore, the development of cross-border e-commerce should be vigorously pursued as a new form and model of

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digital trade, representing the future direction of foreign trade. Domestic cross-border e-commerce platforms should be encouraged to set up more "overseas warehouses" using policy advantages and relatively low operational costs. Relying on the development of the Guangdong-Hong Kong-Macao Greater Bay Area, Hong Kong's cross-border e-commerce and offshore trade should be provided with subcontracting services such as warehousing, sorting, and logistics. Support cross-border e-commerce enterprises to grow and strengthen, encouraging B2C cross-border retail e-commerce to adopt flexible sales models, allowing imports via postal delivery while developing bonded import. Actively introduce cross-border e-commerce enterprises to conduct transshipment and other offshore trade activities. Through trade innovation, further enhance the comprehensive competitive and cooperative advantages of foreign trade enterprises, strengthen the competitiveness of Chinese products in the international market, and effectively use the platform of the International Import Expo to use China's huge market advantage, gather global resources and achieve the goal of becoming a strong trade nation.

Moreover, technological research on digital borders should be conducted, focusing on the special regulatory experiment system design for digital trade. Digital borders, from concept to practice, require digital technology support, especially in tracking and recording "digital footprints", which is key to defining digital borders. It is necessary to explore the application prospects of blockchain technology in digital borders and address related technical challenges. Furthermore, it is also needed to start experiments on "customs digital trade special supervision" based on "network virtual space relying on digital infrastructure", select representative industries for offshore data business, and appoint large-scale data centers, cloud service providers, and data platforms as special customs supervision agents to accumulate experience for innovative policies and systems in digital trade supervision.

Sixth, set up constructive collaboration with bilateral FTZs, the joint construction of "Belt and Road", and the country's foreign diplomatic strategy to enhance linkage effects.

The 21 independently established FTZs and the 19 bilateral FTZs in China should cooperate closely, because the expanded opening policies need to be mutually applicable. Before the 18th CPC National Congress, China had established 10 FTZs, and in the ten years after the congress, 9 more were added. The country had 18 free trade partners before the congress and now has 26. China has preliminarily set up a free trade agreement network based on its neighbors, radiating the "Belt and Road", and facing the world. Particularly in 2022, the free trade agreements with Cambodia and the upgraded protocol with New Zealand took effect. China also signed an early harvest arrangement of a free trade agreement with Nicaragua and officially launched free trade agreement negotiations with them. Negotiations for the 3.0 version of the China-ASEAN FTZ have begun, and negotiations with the Gulf Cooperation Council are making positive progress. These agreements will further promote the construction of an open world economy. In 2022, the import and export volume with free trade agreement partners reached 14.25 trillion yuan, an increase of 7.7% year-over-year, accounting for 34% of China's total foreign trade. Therefore, specialized liaison institutions should be established within the 21 FTZs to carefully study the intersection points with the 19 bilateral free trade agreements, explore the establishment of points of mutual development promotion, implement interests concerning both sides, establish mutually beneficial cooperation mechanisms, attract mutual investment and trade between enterprises from both sides, and promote new international economic rules. In addition, many countries around the world have set up their FTZs, such as the Hamburg FTZ in Germany, the Winnipeg FTZ in Canada, the Cincinnati FTZ in the US, and the Colón FTZ in Panama. China's 21 FTZs should actively set up connections with these zones, find mutual interest points, and promote the networking and internationalization of the FZTs.

The 21 FTZs should also build ties with the joint construction of the "Belt and Road". Some can serve as new nodes for the expansion of the China-Europe Railway Express. For example, on May 30, 2022, the Nansha Port South Station in the Guangzhou FTZ launched its first China-Europe Railway Express, expected to reach the European inland in 15 days via the Alashankou border. This train connects the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road" with the Guangzhou

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Nansha FTZ, injecting new vitality into improving the global industrial logistics chain and creating an international sea-rail transport hub in the Greater Bay Area, promoting high-quality development of the "Belt and Road". Some can serve as bases for FTZs with diplomatic strategies of "managing the periphery", like Guangxi and Yunnan building closer economic and trade cooperation with ASEAN countries, and Heilongjiang with Russia's Far East region, tightly integrating economic interests with diplomatic strategies to promote mutually beneficial economic and trade relations and promote political trust in diplomacy. Some FTZs, especially those in the western regions, should closely align with the economic and trade cooperation content of the Shanghai Cooperation Organization. Our foreign affairs departments should provide guidance on these cooperation initiatives and offer support in policy coordination, external communication, and technical and financial aspects.

4. Summary

Since the 18th CPC National Congress, China has established 21 FTZs, creating a pilot pattern covering the east, west, south, north, and central regions. As a consequence, large number of high-level institutional innovation achievements have been introduced, and world-leading industry clusters have been built, all of which significantly contribute to high-quality development. It is essential to thoroughly summarize ten years of practical experience, understand and grasp the current and future global economic situation, acknowledge achievements, identify gaps, and comprehend the expectations placed on China's reform and opening-up pilot strategy in the new development stage. Formulating a practical and feasible strategy for enhancing FTZs is crucial for preparing for the next decade of development, both in terms of thought and policy, and should be a major topic for deep reflection and research.

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