

Selection of the Direction of the Developmental Path for China's Special Economic Zones in the New Period

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*Concurrently discussing the building of the Shenzhen-Hong
Kong-Zhuhai-Macau Free Trade Zone*

Abstract This paper holds that, with construction and development for nearly 30 years, the special economic zones with Chinese characteristics are the pilot areas that were given the first priority for developing in the reform and the opening up and that they are also the famous brands for China to better participate in the integration of the world economy in the 21st century. The special economic zones are the special products of China's reform and opening up. According to the developmental philosophy of keeping pace with the times, it is inevitably necessary to achieve the transformation of the special economic zones after China's 30-year-long reform and opening up. We should proceed from the actual development of productive forces and their future developmental trends in China's special economic zones, reposition the special economic zones and substitute new functions so as to develop them into free trade zones and free ports in a classified way in due time.

Keywords Reform and opening up · China's special economic zones · Direction of the developmental path

Zhou Yunyuan, (1952—), Professor of Economics, at Sun Yat-Sen University; this paper bases its analysis only on the first batch of four special economic zones established in China, and does not include the Hainan and Pudong New Area, which was established later.

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1 Opportunities and Challenges for China's Special Economic Zones in the New Period

(I) China's all-round, deep involvement in the developmental pattern of the world's economic integration

After many years of WTO negotiations, China joined the WTO as a developing country at the end of 2001, which undoubtedly added new vitality to the WTO. In the process of increasing regionalization and integration of the global economy, the economic development of various countries and territories is required to be carried out in a standardized way subject to the regulations and rules of relevant international organizations including the WTO. Since the 21st century, generally, the special economic zones in the world, important for a sustained development of the global economy are still playing a very important role amid the integration and regionalization of the world's economy. Without doubt, some specific functions of the special zones have changed, especially their considerable expansion, which is still continuing in the field of free trade. For example, the ASEAN Free Trade Area is continuously expanding and developing, the ASEAN 10+3 (ASEAN 10 countries plus China, Japan and South Korea) mechanism has been fixed in agreements and is gradually advancing, and new free trade areas are also being built in the new period; for example, 34 countries from South America, North America and the Caribbean Region (a population of 0.8 billion) have also signed agreements to establish the Free Trade Area of the Americas. To some extent, this shows that the free trade area is still a very important form for the development of today's world economy. China's special economic zones were established and developed by drawing upon the beneficial experience in expanding special economic zones in the world during the reform and the opening up; therefore, in face of the new developmental pattern of today's world economy, it is necessary for China's special economic zones to seize the situation, implement the developmental strategy in line with the times, reposition themselves in due time, transform their own functions to gradually move towards the economic developmental model which fits in with China's actual conditions and the developmental trend of the world's economy.

(II) Opportunities and challenges for China in the all-round opening up in the new period

Since the 1990s, China has further expanded the outward-looking economy and pressed ahead with all-round reform and opening up, especially the development and construction of the central and western regions have upgraded China's profound opening up to a new height. Since the 21st century, China has speeded up its all-directional, multi-layered and wide-ranging opening up. Under such a developmental pattern, the special economic zones are no longer the only areas for the opening up in China and are not the areas which exclusively enjoyed special policies in the past; instead, they are required to participate in the global labor division and cooperation to develop and enhance their own economic and social

strength as China is, on the whole, integrating into the regionalization and integration of the world's economy. The driving force resulting from competition and development in the hinterland has also, to a certain extent, compelled the special economic zones to make their own improvement and develop themselves according to higher requirements. There is a prevailing view—hinterland-like development occurs in special zones. Although this view is one-sided, the reality is that if the special zones show a hinterland-like development, they will be devitalized and cannot achieve a sustainable development for a longer time. The special economic zones should conform to the developmental trend of the world's economy, and make the most of their originally developed advantages and potential, the solid foundation built during the nearly 30 years in order to continue carrying forward the pragmatic spirit of forging ahead amidst the changing international market, learn better and draw upon the successful models from international economic development, seek out the developmental model for further development, which is unquestionably the key to the future development of the special economic zones in the new period.

2 Selection of the Direction of the Future Developmental Path for China's Special Economic Zones

The construction and development of China's special economic zones have been going on for more than 30 years, since August 26, 1980 when the Regulations of Guangdong Province on the Special Economic Zones was passed during the 15th Session of the Standing Committee of the 5th National People's Congress. However, seminars on the direction of the developmental path for the special economic zones have been held many times in this period. This is the inevitable outcome of the development of China's special economic zones because the special economic zones were special new things arising from China's reform and opening up; when they were in the crucial historical developmental period, the developmental trend of the special economic zones first aroused the people's attention and discussions. What mode will be adopted for developing the special economic zones with Chinese characteristics in the new historical period naturally becomes the hot topic in our discussions.

(I) Discussions about the direction of the future developmental path for China's special economic zones

At the beginning of the 21st century, Professor Su Dongbin from Shenzhen University said: "As the human being is embracing the new century, the special zones are young," and believed that "only when the basic framework of the market economic system takes shape nationwide, does the mission of China's special economic zones as "special zones" end. Even so, as "non-special zones" in the

future, China's special economic zones may also make special contributions to China and to mankind."¹

As early as 1995 when the construction and development of China's special economic zones had been going on for 15 years and there was an important issue concerning how to continue developing China's special economic zones, in order to discuss how to identify new developmental goals for the special economic zones according to international practices under the new situation and find a new development and mode, the United Nations Development Programme and the China Institute for Reform and Development jointly held an international seminar in Haikou City on April 13–14, 1995, whose theme was "What Course to Follow for China's Special Economic Zones". Nearly 100 experts and scholars from home and abroad attended that seminar. In light of the construction and development of China's special economic zones of that time, and their future historical mission, when delivering his speech, the author pointed out, "We should seize the situation to develop the special economic zones in a classified way, and turn some of them into free trade areas, some of them into free ports in the future." Such a view aroused the interest from part of the scholars present at that seminar. (The full text of my speech was published in *Shenzhen Special Zone Daily* (Theory column) on June 28, 1995, while the main views from my speech were summed up in the *Hainan Daily* on July 8.) In order to celebrate the 20th anniversary of the establishment of China's special economic zones, the Development Research Center of the State Council, Shenzhen, Hainan, Xiamen, Zhuhai, Shantou Special Economic Zones and the Pudong New Area of Shanghai jointly held a theoretical seminar on the "Special Economic Zones and the Building of Socialism with Chinese Characteristics" in Shenzhen on September 12–14, 2000. Some experts believed that "after the market economy is established and universal policies are implemented, the original mission of the special zones will be finished in substance rather than in form, unless the Central Government gives a new mission to the special zones, for example, developing them into international special zones such as "trade areas" or "free ports"." (See the articles written by Min Xun et al., *Xinhua Digest*, 2000 [1]). In the seminar on the 25th anniversary of the establishment of the special economic zones, some experts held that the "special economic zones should continue serving as experimental fields, demonstration areas and pacesetters, carrying out the outlook on scientific development for the whole country, gathering and offering fresh experience for building a harmonious socialist society."

In an overall review of the development of the special economic zones around the world in 2006, Professor Zhong Jian believed that there were five types of special economic zones in the world, including trade-oriented special economic zones, industry and trade-oriented special economic zones, technology-focused special economic zones, integrated special economic zones and cross-border special economic zones. He also thought that China's special economic zones were

¹Su Dongbin, *Special Frontier Topics Concerning China's Special Economic Zones*, China Economic Publishing House, July, 2000, the 1st Edition.

integrated, multifunctional special economic zones. Of course, the special zones developed differently due to varied geographical, economic and social conditions; for example, Shenzhen and Zhuhai mainly focused on industry with a concurrent development of commerce, tourism, real estate, agriculture, animal husbandry and fishing; Xiamen was a seaport-based special economic zone, dominated by industry, where commerce and tourism were concurrently developed and some free port policies were implemented; Shantou Special Economic Zone was between both the above special economic zones, and had the industrial and agricultural characteristics of Shenzhen and Zhuhai and the port foreign trade characteristics of Xiamen.² The regionalization and integration of today's world economic development is irresistible; expanding a multi-tier, wide-ranging free trade area and free port mode is undoubtedly very important for such regionalization and integration, and such a mode has been proved to be an effective economic developmental model by the way that the world economic development has unfolded. The 21st century is a new period of cooperation and development—a period full of opportunities and competition, during which realizing the great rejuvenation of the Chinese nation will be of inestimable historical significance. As this history developed up to the end of 2008, in the working conference on special economic zones on November 18 and 19 of that year, the developmental goals for the new period with respect to the three special economic zones of Guangdong Province were specified: “Shenzhen will see the building of a brand-new public service-oriented government in 2013”, “Zhuhai will become a new ecologically civilized special zone” and “Shantou will be turned into a modern, multifunctional, integrated outward-looking port city.” At China's Special Economic Zones Forum 2008 organized by the China Center for Special Economic Zone Research of Shenzhen University, Professor Zhong Jian still insisted on and expounded the five modes put forward in 2006 for the development of the special economic zones around the world, and believed that the special economic zones would still enjoy a very large developmental space in China in the future.³ Some experts held that the special economic zones should have first implementation and experimentation in more fields and more aspects, especially the economic system, social system, administrative and political system, the relationship between people and society, and continue serving as the windows and experimental fields for driving China's reform and development forward. In the future, areas like Shenzhen can play a bigger role and continue providing the whole country with fresh experience and practices, new strategic ways of thinking and new modes of thinking. There is still a long time before the special zones become outmoded, thus the special zones should endure and act as the experimental fields for a long time in the whole process of China's reform and development. (See *Shenzhen Special Zone Daily*, December 22, 2008). The Reform and Developmental Plan for the Pearl River Delta Region approved by the State Council

²Jian [1], pp. 14–16, 400.

³China Center for Special Economic Zone Research, Shenzhen University, *Selected Papers of Seminar on the 30th Anniversary of Reform and Opening Up*, 2008, pp. 9–10.

at the end of 2008 specified a new functional positioning for Shenzhen and Zhuhai situated in the Pearl River Delta. According to that Plan, Shenzhen City should continue playing the roles of a special economic zone as a window, experimental field and demonstration area, enhance scientific and technological research and development, high-end service functions, reinforce its position as a national central economic city and national innovation-oriented city, and become a model city for socialism with Chinese characteristics and an international city. Zhuhai should fully leverage its advantages as a special economic zone and due to its location to accelerate the construction of transport infrastructures, build the transport hub on the west bank of the Pearl River Estuary as soon as possible, enhance the capability of the function of high-end factor agglomeration development and innovation development, the core competitiveness and its developmental driving ability, in order to become a modern central regional city, a new ecologically civilized special zone and a model city for scientific and technological development. This shows that there is an explicit functional positioning for Shenzhen and the Zhuhai Special Economic Zone in the Pearl River Delta Region of Guangdong Province in the new historical stage. However, since the State has clarified the important mission for Guangdong Province, especially for the Pearl River Delta Region, during the first implementation and experimentation, at the institutional system level, it will take time to turn all of the several special economic zones into free trade areas, an area where conditions permit or better development has been achieved. The Shenzhen Special Economic Zone should be chosen as a place where a free trade area can be built, which is undoubtedly an important choice for comprehensively pushing forward the regional economic integration in the new period. Therefore, the author believes that the direction of the future developmental path for China can be based on classified expansion, while expanding free trade areas or free ports should be the first choice for China's special economic zones in the future development of global special economic zones.

(II) Basic conception of the building of free trade areas and free ports

According to Paragraph (B) of Article 24 of the GATT, a free trade area means that customs duties and other restrictive trade laws and regulations are eliminated for, substantially, all trade in goods originating from a group of two or more customs territories between or among the territories of the members. In fact, in the practice of most of the established free trade areas in the world, the case where a free trade agreement involves more than 90% of the products in trade is deemed "substantially all the trade". According to relevant data, a free port mainly refers to the port where all or most of the foreign goods can enter and leave on a duty-free basis. Such a port is designated as being outside the customs territory of a country to the extent that foreign goods are duty-free when entering and leaving such a port and can be freely refitted, processed, stored for a long time, or sold. Only the goods which are transferred to consumers within the country where the free port is located are subject to customs duties; however, the inbound and outbound foreign ships must observe the laws, regulations and policies regarding health, immigration, etc.

1. Shenzhen and Zhuhai towards free trade areas

Both Shenzhen and Zhuhai are the special economic zones established the earliest after China's reform and opening up. With construction and development of more than 30 years, their city scale and level of development have preliminarily shown the embryonic form of a modern city, especially Shenzhen and Zhuhai which are adjacent to Hong Kong and Macau, respectively; therefore, based on consolidating the previous contacts and cooperation outcomes, with free trade development as a bond, the two kinds of special zones (special economic zones and special administrative regions) can further expand closer economic and trade relations to complement the functions, share the resources and improve each other, so as to promote a rapid development of the regional economy. As indicated by the relevant data, Shenzhen has achieved rapid economic development for many consecutive years, and especially the average annual economic growth rate has increased by more than 16% since 2002. Shenzhen's GDP hit 3306.7 billion yuan in 2008, up 9.0% compared with the previous year. The total value of goods imported and exported amounted to 2561.6 billion USD in Shenzhen in 2008, up 17.8%. The added value of new high-tech products accounted for 32.3% in Shenzhen in 2008. Zhuhai's GDP reached 99,206 million yuan in 2008, up 9%. Total imports and exports amounted to 39,869 million USD in Zhuhai in 2008, up 21.5%. Actually the exclusive used foreign direct investments reached 1142 million USD in Zhuhai in 2008, up 11.0%.⁴ This fully demonstrates that the strength of Shenzhen and Zhuhai has certainly laid a foundation for building free trade areas.

2. Xiamen and Shantou towards free ports

Being opposite to the Taiwan Province of China, just across the Taiwan Straits, Xiamen and Shantou are seaport cities that have been given priority to developing during the new period in China. Historically, Xiamen was a world famous outward-looking port, while Shantou was also opened earlier and now is the important estuary for eastern Guangdong Province, southwestern Fujian Province, southern Jiangxi Province, and is at the southern end of the Beijing-Kowloon Railway. Shantou enjoys the important conditions for being developed into a free port. Xiamen and Shantou have witnessed a sustained economic and social development since their establishment as special zones. As a matter of fact, Xiamen's infrastructures, including railways, water transport, roads, and aviation, have been increasingly improved since China's reform and the opening up, earnestly promoting all-round economic and social development; it has given great contributions to the construction of the Western Taiwan Straits Economic Zone. With increasingly normal development of the relations across the Taiwan Straits, especially close economic and trade contacts and cooperation, the function of Xiamen's Port is becoming more and more important. Given such special status and roles, it is absolutely necessary and quite possible to build and develop Xiamen into

⁴Shenzhen, Zhuhai Bureau of Statistics, Shenzhen, Zhuhai Statistical Communiqués on National Economic and Social Development 2008.

a free port. This is also in accordance with the development of the world's economy and with the China's 11th Five-Year Developmental Plan. This will help the development of the Xiamen Special Economic Zone and the Western Taiwan Straits Economic Zone for the future sustainable development of Xiamen. The strategy needed to invigorate the city by relying on the port should be further implemented, and full play should be given to the new advantage of the Port of Xiamen in resource integration, stimulating Xiamen Free Port to play special important roles in construction of modernization in the new period. According to statistics, cargo throughput and container throughput in the Port of Shantou were 28.06 million tons and 0.72 million TEUs in 2008, up 22 and 21.1% compared with 2007, with a growth being 10.7 and 8.2% points higher than that in coastal ports above the designated size nationwide, respectively. Cargo throughput and container throughput at this port were 2.45 million tons and 58,000 TEUs in January, 2009, up 10.7 and 12%, respectively. In recent years, both the construction and the operation of the Port of Shantou have shown a great leap forward in growth. The Port of Shantou is designed to be built into a large, modern, multifunctional, integrated southeastern coastal 100-million-ton port opened to the outside world, laying an important foundation for the construction of the Shantou free port area.

3 The Necessity for Building the Shenzhen-Hong Kong-Zhuhai-Macau Free Trade Zone

(I) Free trade zones have become an important successful experience in enhancing regional units, leveraging the region's own advantages and better participating in international division and collaboration within regional global economic integration

According to relevant data, China will actively push forward with the construction of free trade zones, and further reinforce economic and trade cooperation with relevant countries and territories for promoting common development. China is reducing and eliminating customs duties and further opening up service and investment fields. China has achieved mutual benefits and win-win results with relevant countries and territories. For example, with the construction of the China-ASEAN Free Trade Area, more than 60% of the products have become duty-free in China and in the ASEAN area since 2008. Such a figure will most probably exceed 90% by 2010. According to relevant information, currently, China has conducted negotiations, provided business visas and joint study work concerning 14 free trade areas with 31 countries and territories. Seven free trade agreements have come into force and are well implemented. In order to better involve Guangdong Province, Hong Kong and Macau in regional global economic integration in the new period, it is imperative to further strengthen their integration and expand free trade areas with the regional characteristics of Shenzhen and Hong Kong. The practice in more than 30 years since China's reform and opening up has

also fully proved that the Chinese Mainland, Hong Kong and Macau are highly complementary to each other in economic contacts and cooperation. A free trade area between Shenzhen and Zhuhai and the Hong Kong and Macau areas developed first in China, is also a new way of cooperation that is more suitable to boosting regional economic cooperation and integration after China's accession to the WTO. Such a new cooperation mode is conducive to strengthening economic and trade contacts under the principle of "One Country, Two Systems" and to advancing economic, trade cooperation and integration.

- (II) **CEPA has brought about tremendous achievements since its implementation in 2004; however, given the deep level, CEPA is still a necessary stage in the whole process of regional economic integration; as the special administrative regions of the People's Republic of China, Hong Kong and Macau need the Chinese Mainland to open up more fields so that Hong Kong and Macau can continuously increase a higher level of cooperation among the Chinese Mainland, Hong Kong and Macau**

In fact, during the National People's Congress and the Chinese Political Consultative Conference in March, 2002, Hong Kong celebrities, including those from the Hong Kong General Chamber of Commerce, called for actively promoting the building of the Guangdong-Hong Kong-Macau Free Trade Area. The Hong Kong SAR Government also gave an impetus to its economic integration with the Chinese Mainland. Hong Kong's businessmen started vigorously moving ahead with the building of a free trade area between Hong Kong and the Chinese Mainland in the second half of that year. Hong Kong initiatively proposed to the Central Government with the hope of first initiating the free trade area in the Pearl River Delta Region.⁵

4 The Feasibility of Building the Shenzhen-Hong Kong-Zhuhai-Macau Free Trade Zone

- (I) **The Party and the State have vowed to implement the strategy for a free trade area in the new period, providing an explicit pointer for building the Shenzhen-Hong Kong-Zhuhai-Macau Free Trade Area**

The Report of the 17th National Congress of the Communist Party of China stressed: "We shall actively carry out mutually beneficial international energy resource cooperation, implement the free trade area strategy, and strengthen bilateral and multilateral trade cooperation." This statement pinpoints the direction for setting up free trade areas with Chinese characteristics. Given the developmental pattern of the China-ASEAN Free Trade Area in which China would participate in

⁵Source: *Oriental News*, March 4, 2002.

2010, without doubt, this involves participation in the capacity of a country, while such a developmental pattern does not hinder the exploration regarding the developmental pattern of regional free trade areas within China, and building free trade areas with China's regional characteristics is one of the important choices.

(II) In the new century, the State continues to expand the opening up and intensifying the reform; the plan for participating in world economic integration in the new period greatly promotes the attempt to build the new developmental model—the Shenzhen-Hong Kong-Zhuhai-Macau Free Trade Area with Chinese characteristics

According to China's 11th Five-Year Plan for National Economic and Social Development, we must continuously intensify the reform and the opening up. We should insist on the socialist market economy as the reform direction, give overall considerations to both domestic development and the opening up, constantly increase the level of the opening up, and enhance the capability for boosting development under the condition of expanding the opening up. We should maintain the long-term prosperity and stability of Hong Kong and Macau. We should uphold the policy of "One Country, Two Systems", "Hong Kong people governing Hong Kong", "Macau people governing Macau", "high degree of autonomy", and act strictly in accordance with the basic law of the special administrative regions. We should reinforce and promote exchange and cooperation among the Chinese Mainland, Hong Kong and Macau in the fields of economics, trade, science, education, culture, health, and sports. We should continue carrying out closer economic partnership arrangements among the Chinese Mainland, Hong Kong and Macau. We should strengthen the cooperation among the Chinese Mainland, Hong Kong and Macau in the construction of infrastructures, inn industrial development, in the utilization of resources and in environmental protection. We should support Hong Kong in developing the service industry, including finance, logistics, tourism and information, and keep its position as the international financial, trade and shipping center. All of these will provide important conditions for attempting to build and develop the new developmental model—the Shenzhen-Hong Kong-Zhuhai-Macau Free Trade Area.

(III) The timing for building the Shenzhen-Hong Kong-Zhuhai-Macau Free Trade Area

As Hong Kong, Macau, Shenzhen and Zhuhai are subject to different political and social systems, the Shenzhen-Hong Kong-Zhuhai-Macau Free Trade Area will be built and developed under the "One Country, Two Systems" condition and according to the characteristic free trade area mode within the People's Republic of China. Given that Shenzhen and Zhuhai were the first to experiment in building a free trade area with Hong Kong and Macau, thus it was necessary to obtain the State's authorization and recognition. Therefore, the establishment of the Shenzhen-Hong Kong-Zhuhai-Macau Free Trade Area should be divided into two stages: first, Guangdong Province, Hong Kong and Macau hold consultations

through high-level joint meetings to reach a consensus on jointly building the Shenzhen-Hong Kong-Zhuhai-Macau Free Trade Area, officially determine the geographic location for establishing the free trade area and its boundary line, specify other requirements for establishing the free trade area, apply to the Central Committee and the State Council for approval before the official launch. Second, the operating activities of the free trade area consistent with the actual developmental situation of Shenzhen, Hong Kong, Zhuhai and Macau are gradually carried out in stages mainly according to the WTO rules and the practices of free trade areas around the world.

5 Objective and Relevant Measures for Building the Shenzhen-Hong Kong-Zhuhai-Macau Free Trade Area

(I) The objective for building the Shenzhen-Hong Kong-Zhuhai-Macau Free Trade Area

The main and overall objective for building the Shenzhen-Hong Kong-Zhuhai-Macau Free Trade Area: based on the staged implementation of CEPA, it is necessary to further strengthen the economic and trade contacts among these four areas, comprehensively push forward their sustainable economic and trade development, carry out the operating activities completely, including economic and trade activities, within the whole area according to the requirements of free trade areas in line with the pattern of regional economic internationalization and integration and the actual situation of these special areas at different developmental stages as well as the rules concerning free trade areas. Besides, it is necessary to promote normal operations and coordinated development of the various economic and trade activities within the free trade area, conduct a scientific division of labor within the free trade area, rationally integrate various factors including commodities, goods, capital, talents and various services and complement their advantages within the free trade area to enhance the competitive power and international level of that area, and gradually liberalize goods, trade and investments in the free trade area.

(II) Relevant measures for building the Shenzhen-Hong Kong-Zhuhai-Macau Free Trade Area

1. First, cooperate with Hong Kong and Macau to follow international practices in order to uniformly define the standards, rules and specifications for trade in commodities, goods and services from Shenzhen and Zhuhai. Universally accepted rules in free trade areas require parties to adopt international standards, rules and specifications so as to effectively implement unified inspection procedures, making it possible to gradually achieve economic, trade and investment liberalization within the three areas.

2. Eliminate tariffs and all non-tariff restrictions on trade in commodities and goods. As Hong Kong and Macau are free ports, as members of the free trade area, Shenzhen and Zhuhai should, like Hong Kong and Macau, eliminate, in stages, tariffs and other relevant non-tariff restrictions relating to various commodities and goods according to the unified principles or practices which satisfy the operating requirements for the free trade area in transactions involving commodities or goods, trade and services. The current tariffs concerning commodities or goods and trade among the members should be eliminated according to percentages in the transition period of 3–5 years through consultation by the parties. The 1st stage: the first reduction would be made within one year after the agreement regarding the Shenzhen-Hong Kong-Zhuhai-Macau Free Trade Area comes into force. In this case, the members of the free trade area would reduce and exempt or eliminate 20% according to the uniformly verified current tariff base for relevant products. The 2nd stage: a further 30% reduction, exemption or elimination on the basis of the 1st stage within three years after the agreement of the Shenzhen-Hong Kong-Zhuhai-Macau Free Trade Area comes into force. All of the remaining 50% would be eliminated within five years after the agreement comes into force. In addition, the members of the free trade area should eliminate, in stages, all non-tariff restrictions as from the date when the signed agreement comes into force and undertake not to impose any new restrictive measures again. This enables a fully and highly free operation of all commodities and goods within the free trade area and full alignment with the operating activities of free trade areas around the world.

3. Take measures to earnestly push forward and promote trade and investment facilitations among the members of the Shenzhen-Hong Kong-Zhuhai-Macau Free Trade Area. The free trade area is a developmental model at a higher level on the basis of preferential trade arrangements (CEPA), thus undoubtedly, trade and investment facilitations among the members of the free trade area should be the operating activities for implementing further free and higher trade and investment facilitation measures, so as to provide the members of the free trade area with more convenient, easier, efficient functions regarding their operating activities, and promote the healthy development of economic, trade and investment integration within the free trade area. Of course, relevant policies should also be adopted to simplify the procedures for exchanges, communications and interactions in the circles of industrial and commercial enterprises among the members of the free trade area, to the greatest extent reduce the barriers prohibiting the movement of people within the free trade area, simplify trade settlement procedures, periodically or non-periodically hold economic and trade fairs and exhibitions, carry out other economic and trade activities.

4. Develop a system for the protection of investments in order to secure an interest win-win outcome among the members within the free trade area. The implementation of China's reform and opening-up policy has promoted the overall economic and social development of Shenzhen, Hong Kong, Zhuhai and Macau. After the Shenzhen-Hong Kong-Zhuhai-Macau Free Trade Area is established, the requirements of the WTO rules for encouraging and protecting mutual investments should be earnestly put into practice, and an investment protection system

complying with WTO rules and free trade area requirements should be developed and improved through consultations on the basis of continuously improving the investment environment and following the principle of reciprocity, mutual benefit and win-win outcome, with a view to fundamentally raising the enthusiasm for mutual investment among the members of the free trade area and thus enhancing the foundation and global competitive power of the free trade area.

Reference

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