2013 White Paper

On Environment for Foreign Investment in Shanghai

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Preface
As China’s top economic center and most developed city, Shanghai has been, in recent years, moving forward in a market–dominant and internationally–orientated approach, dedicated to strengthen city management, improve investment environment, promote reform & innovation, transform development trajectory, and sustained healthy economic development. In 2012, the city’s GDP totaled RMB 2 trillion, 7.5% higher than the previous year. Tax revenue reached RMB 374.37 billion, 9.2% higher than the previous year. The added value of the tertiary industry grew at 10.6%, making it 60% of the city’s GDP. Consumer retail grew by 9% to RMB 738.7 billion, contributing 70% of the city’s economic growth.

Significant progress has been achieved in the development of being an international financial, trade and shipping center. The city has 1,227 financial institutions and the aggregate value of financial transactions totaled RMB 528 trillion. The scale of stock market and futures market has been in the top range of the world. A number of pilot policies have been enabled such as tax refund upon departure. Shanghai has been world No. 1 port in terms of container throughput for three consecutive years. The cargo throughput of Pudong International Airport has been world No.3 for four consecutive years. Foreign trade structure continues to be optimized. The import & export of trade in services totaled USD 150 billion, accounting for 30% of China and 25% of foreign trade in Shanghai. "Business tax to VAT" reform has yielded positive results. 15,900 companies participated in the reform, which reduced RMB 22 billion of tax for the whole year. Innovation capacity has been significantly improved. We have witnessed the launch of Zhangjiang National Indigenous Innovation Zone and breakthrough of Shanghai Synchrotron Radiation Facility and R&D of stepper. The R&D expenditure accounts for 3.16% of the city’s GDP and the ratio of patent per thousand people is 1.72. Shanghai’s economic development has witnessed stable growth, optimized structure, enhanced function and breakthrough in reform and innovation.

Shanghai has witnessed rapid growth in FDI in 2012. Paid–in foreign capital totaled USD 15.185 billion, 20.5% higher than the previous year and hitting another historical record. Opening of service sectors have achieved new progress and absorbed 83.5% of paid–in foreign capital. 60 new financial leasing companies and 8 factoring companies have been introduced to the city. New breakthroughs have also been made in attracting foreign investment in polytechnic training, auction, eldercare service, and security service. Strategic emerging industries are attracting more foreign capital with 42 new foreign–invested companies in new energy and environmental protection and 49 foreign–invested companies in bio–pharm and medical R&D. Shanghai has been No.1 location on mainland China for holding companies and multinational’s regional headquarters. Throughout the year, 25 new holding companies such as MSD were registered, making it a total of 265. 50 multinational’s regional headquarters were certified including BP, HP and Kubota, making it a total of 403. 17 foreign R&D centers were established including Rhodia New Material and BASF Applied Chemical, making it a total of 351. Foreign–invested companies have played an important role in Shanghai’s social and economic development.

The 3rd Plenary Session of the 18th Party Congress has clearly stated to structure an open economy. Shanghai will comply with the instruction of the central government, implement proactive reform strategy, strengthen reforms via opening, promote reforms in key investment sectors and procedures, progressively relax restriction of foreign investment in the service sector, and continue to improve the transparent, convenient and efficient investment environment. Our priorities are:

First, focus on key industries, accelerate the progress of establish a new industrial structure based on modern services and strategic emerging industries complimented by advanced manufacturing. More efforts will be devoted to attract foreign investment in key and professional services including finance, logistics, retail & wholesale, information services, culture & creative services, tourism, exhibitions and conference services. We will encourage foreign capital to strategic
emerging industries such as new generation of information technology, hi-end equipment, biology, new energy, new material, energy saving & environmental protection and new energy vehicles. Existing foreign-invested companies will be encouraged to apply technical upgrade and extend to both ends of the value chain so as to upgrade the manufacturing capability of Shanghai.

Second, focus on key areas in Shanghai including the six functional areas namely Hongqiao Business District, Expo Area, Shanghai International Tourist and Leisure Area, Lingang Area, Qiantan Area and Huangpu Riverside Area, promote modern services such as headquarter economy, exhibition, conference, tourism, culture & creative service, retail & wholesale, and sports & leisure, attract foreign investment in advanced manufacturing and production services with equipment manufacturing as our priority, and create new powerhouse for Shanghai’s next round of sub-region economic development.

Third, focus on the Headquarter Economy and continue to encourage multinationals to locate regional headquarters and other functional units in Shanghai. Headquarter policies will be improved to increase the capabilities of existing headquarters and making the city the center for Asia-Pacific headquarters.

Last, but most importantly, focus on the Pilot FTZ. The establishment of China (Shanghai) Pilot Free Trade Zone is an important strategy of the central government against the new situations and a firm statement of China’s continuous efforts in reform and opening up. Shanghai will spare no efforts on the development of the Pilot FTZ. For now, the priority tasks are: open wider the service sectors especially in six sectors including finance, shipping, retail & wholesale, culture and professional services; reform the administration of foreign investment and explore administrative approaches based on the negative list; deepen the reform of outbound investment administration and adopt filing-based management to outbound investment; accelerate the growth pattern of trade, and deepen the reforms in international trade settlement, innovation in financial leasing, tax-bonded delivery of futures and cross-border e-business; and test new financial reforms in the Pilot FTZ in RMB capital account convertibility, liberalization of market interest rates, and cross-border use of RMB. Shanghai will strive to explore new channels and accumulate new experiences for China’s next round of extensive reform and opening via the establishment of the Pilot FTZ.

Shanghai is part of China and part of the world. "2013 White Paper on Shanghai’s Foreign Investment Environment" offers information for Shanghai to go global and foreign investors to know Shanghai. We sincerely hope that "2013 White Paper on Shanghai’s Foreign Investment Environment" will be instrumental to investors from all over the world. You will know more about Shanghai’s dynamics and attractiveness, access to investment opportunities, extend investment horizon and scope, participate in Shanghai’s development, and join in us for cooperation and success.

Vice Mayor Of Shanghai

Nov.22, 2013
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Part One. Facts and Figures of Shanghai’s Foreign Investment
1.1 Shanghai’s foreign investment in 2012

The world economy was sluggish in 2012 and FDI to China dropped while DIF in Shanghai set new historical record. Performance of projects kept improving. More foreign capital was invested in modern services and stable growth was achieved in advanced manufacturing. Headquarters Economy was developing prosperously. Foreign capital has been an important driver to Shanghai’s transformational development.

I. Foreign capital inflow set the new historical record

4,043 foreign-invested projects were registered in 2012 with a total contracted foreign capital of USD 22.338 billion, 11.1% higher than the previous year. Paid-in foreign capital totaled USD 15.185 billion, 20.5% higher than the previous year. This is the third year for Shanghai to achieve double-digit growth in both contracted and paid-in foreign capital since the financial crisis in 2009 and breaks the record again.

Since the beginning of reform and opening, Shanghai has attracted 67,869 foreign-invested projects with total contracted foreign capital of USD 217.565 billion and total paid-in foreign capital of USD 134.213 billion.

II. Service sector strengthened the lion’s share in the foreign investment structure

The breakdown of foreign investment in the tertiary, secondary and primary industry\(^1\) was 83.8%, 16.0% and 0.2% respectively in 2012. The breakdown of paid-in foreign capital was 83.5%, 16.4% and 0.1%. The breakdown of the number of new projects was 94.4%, 5.5% and 0.1%. All indicates that the service sector is dominating. It is also clearly shown in the chart below that foreign investment into the tertiary industry exceeded secondary industry in 2005 and its share grew to 80% in 2009. The percentage rose to 83.8% in 2012 and the service-based structure was strengthened continuously.

\(^1\) Primary, secondary and tertiary industry is a kind of categorization of industries according to the historical development of production activities.
III. More foreign investment went to modern service and foreign capital boosted Shanghai’s "four-center’’ initiative.

3,818 foreign investments were establish in the service sector in 2012 with total contracted foreign capital of USD 18.713 billion and total paid-in foreign capital of USD 12.679 billion, 9.6% and 21.6% higher than the previous year respectively. The main investment sectors were leasing & commercial services, real estate, retail & wholesale, financial services, and logistics & warehousing.

Among them, contracted foreign capital in leasing & commercial services, which is closely related to "International Trade Center” initiative, totaled USD 4.814 billion, 24.3% higher than the previous year. Its paid-in capital reached USD 2.885 billion, 29.5% higher than the previous year. Contracted and paid-in foreign capital in retail and wholesale totaled USD 4.665 billion and 2.403 billion, 12.1% and 13.8% higher than the previous year respectively. Financial services, which are closely related to "International Financial Center” initiative, were one of the quickest growing sectors. With 71 new investments or 2.2 times that of 2011, its contracted foreign capital totaled USD 1.525 billion, 8.1% higher than the previous year and its paid-in foreign capital was 74.7% higher than the previous year. 60 new financial leasing companies and 8 factoring companies were registered. Contracted foreign capital of logistics & warehousing, which is closely related to "International Shipping Center” initiative, totaled USD 771 million, a rise of 50.7%.

IV. Foreign investment in advanced manufacturing grew steadily and promoted Shanghai’s industrial restructuring.

204 foreign investments in manufacturing were approved in 2012. Their contracted and paid-in foreign capital totaled USD 3.55 billion and 2.453 billion, 20.5% and 16.6% higher than the previous year respectively. Rapid growth was achieved in industries like set equipments and fine chemicals. Electronic & mechanical production attracted contracted foreign capital of USD 889 million, 214.3% higher than the previous year. Contracted foreign capital in chemical industry totaled USD 716 million, 117.9% higher than the previous year. Contracted foreign capital in telecom and electronics production totaled USD 527 million, 4.4% higher than the previous year. Strategic emerging industries such as new energy, energy saving & environmental protection, and bio/pharm were moving forward quickly with 42 new foreign-invested companies established in new energy and environmental protection and 49 new foreign-invested companies in bio/pharm R&D or production.
V. Headquarter Economy continued to grow vibrantly

Headquarter Economy continued to grow vibrantly in 2012. 25 new holding companies including MSD were established and 50 multinational’s regional headquarter were certified such as BP, HP, and Kubota. 17 foreign R&D centers were also registered including Rhodia New Material and BASF Applied Chemical, The number and performance of regional headquarter continued to grow. Up to the end of 2012, Shanghai was home to 265 holding companies, 403 multinational’s regional headquarter, and 351 R&D centers and has become the No.1 location on the mainland China for holdings and regional headquarter. 95% of regional headquarter have two or more headquarter functions and the number of R&D centers rank No.2 in China.

VI. Investment from Asia increased and investment from Europe and US fluctuated

Contracted foreign capital from countries and regions in Asia totaled USD 16.77 billion or 75.1% of all, 26.6% higher than the previous year. Those from Hong Kong reached USD 12.065 billion, an increase of 40.3%. Investment from Japan totaled USD 2.505 billion, 22% higher. Investment from Europe totaled USD 1.669 billion or 7.5% of all, declined by 2.8%. Among countries in Europe, investment from Germany and France dropped 34.6% and 29.2% respectively. Investment from the US totaled USD 1.321 billion or 5.9% of all, declined by 31%. If Disney project was not counted in 2011’s figure, investment from the US grew by 66%.

Top 10 Sources of FDI in Shanghai in 2012

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country/Region</th>
<th>Contracted foreign capital</th>
<th>Country/Region</th>
<th>Paid-in foreign capital</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Volume</td>
<td>Percentage</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Hong Kong</td>
<td>120.65</td>
<td>54.0</td>
<td>1 Hong Kong</td>
</tr>
<tr>
<td>2</td>
<td>Japan</td>
<td>25.05</td>
<td>11.2</td>
<td>2 Free ports</td>
</tr>
<tr>
<td>3</td>
<td>Singapore</td>
<td>13.86</td>
<td>6.2</td>
<td>3 Japan</td>
</tr>
<tr>
<td>4</td>
<td>US</td>
<td>13.21</td>
<td>5.9</td>
<td>4 Singapore</td>
</tr>
<tr>
<td>5</td>
<td>Free ports</td>
<td>8.21</td>
<td>3.7</td>
<td>5 US</td>
</tr>
<tr>
<td>6</td>
<td>The Netherlands</td>
<td>5.46</td>
<td>2.5</td>
<td>6 Taiwan Province</td>
</tr>
<tr>
<td>7</td>
<td>Taiwan Province</td>
<td>3.65</td>
<td>1.6</td>
<td>7 The Netherlands</td>
</tr>
<tr>
<td>8</td>
<td>Germany</td>
<td>3.24</td>
<td>1.5</td>
<td>8 France</td>
</tr>
<tr>
<td>9</td>
<td>Korea</td>
<td>1.97</td>
<td>0.9</td>
<td>9 Germany</td>
</tr>
<tr>
<td>10</td>
<td>Spain</td>
<td>1.79</td>
<td>0.8</td>
<td>10 Korea</td>
</tr>
</tbody>
</table>

① Free ports refer to ports that all or majority of foreign commodities can be shipped in or out without tax and they are located outside of the customs border of a country. They are also called free trade zone or foreign trade zone.
### Examples of upscale investment in Shanghai in 2012

<table>
<thead>
<tr>
<th>Sector</th>
<th>Project</th>
<th>Basic information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>AVIC-GE Civil Avionics Co., Ltd.</td>
<td>New investment, total investment: USD 2 billion, contracted foreign capital: USD 650 million, business scope: design and production of civil avionics</td>
</tr>
<tr>
<td></td>
<td>Merck Performance Material (Shanghai) Co., Ltd.</td>
<td>New investment, total investment: USD 106 million, contracted foreign capital: USD 35.336 million, business scope: R&amp;D and production of display material for TFT-LCD and OLED</td>
</tr>
<tr>
<td>Retail &amp; wholesale</td>
<td>Glencore Co., Ltd</td>
<td>Additional investment, total investment: USD 285 million, contracted foreign capital: USD 285 million, business scope: bulk trading</td>
</tr>
<tr>
<td></td>
<td>Lane Crawford Department Store (Shanghai) Co., Ltd.</td>
<td>New investment, total investment: USD 35.746 million, contracted foreign capital: USD 11.915 million, business scope: retail</td>
</tr>
<tr>
<td>Real estate</td>
<td>OCT (Shanghai) Property Co., Ltd.</td>
<td>New investment, total investment: USD 946 million, contracted foreign capital: USD 241 million, business scope: construct and operate commercial and office buildings</td>
</tr>
<tr>
<td></td>
<td>Lifestyle Commercial Property (Shanghai) Co., Ltd.</td>
<td>New investment, total investment: USD 788 million, contracted foreign capital: USD 394 million, business scope: construct and operate commercial and office buildings</td>
</tr>
<tr>
<td>Logistics &amp; warehousing</td>
<td>Shanghai Pugao Warehousing Co., Ltd.</td>
<td>New investment, total investment: USD 210 million, contracted foreign capital: USD 120 million, business scope: warehousing services</td>
</tr>
<tr>
<td></td>
<td>Goldin Factoring (China)Development Limited</td>
<td>Additional investment, total investment: USD 300 million, contracted foreign capital: USD 300 million, business scope: factoring</td>
</tr>
<tr>
<td></td>
<td>China Novartis Institutes for Biomedical Research</td>
<td>Additional investment, total investment: USD 264 million, contracted foreign capital: USD 88 million, business scope: biomedical research</td>
</tr>
<tr>
<td>Professional service</td>
<td>PWC Management Consulting (Shanghai) Co., Ltd.</td>
<td>New investment, total investment: USD 36 million, contracted foreign capital: USD 12 million, business scope: consulting services</td>
</tr>
<tr>
<td>Software service</td>
<td>Infosys Technology (Shanghai) Co., Ltd.</td>
<td>Additional investment, total investment: USD 200 million, contracted foreign capital: USD 130 million, business scope: software development</td>
</tr>
</tbody>
</table>
1.2 Performance analysis of foreign investment

According to 2013 Joint Annual Inspection of Foreign-invested Companies (including investments from Taiwan, Hong Kong and Macao), foreign-invested companies were performing well in general in 2012. Key performance indicators such as sales revenue and tax contribution grew steadily and profits and number of employees remained flat compared to the previous year. Quality and performance of foreign-invested companies continued to improve.

I. General performance led the whole country

Up to the end of December 2012, Shanghai has approved 67,869 foreign investments with total contracted foreign capital of USD 217.565 billion. 38,508 foreign-invested companies (including investments from Taiwan, Hong Kong and Macao) participated in the 2013 Joint Annual Inspection, 1,781 more than the 2012 inspection, 34,369 were doing business, 2,072 more than previous inspection. 3,191 were in the preparation stage, 357 less than the previous inspection. The participation rate was 56.7%, 0.8% lower than the previous inspection, but still 20% higher than the national average. Shanghai is one of the locations that have the highest operation rate.

II. The structure of foreign investment continued to improve

In terms of foreign investments in Shanghai, most of them were in manufacturing sector before 2002 (including 2002). As Shanghai strengthened its city functions, the number of investments in the service sector exceeded the manufacturing in 2003. The contracted foreign capital of the service sector exceeded the manufacturing in 2005. In 2007, registered foreign capital of the service sector exceeded the manufacturing, suggesting a good structure of tertiary, secondary and primary industry.

In 2012, 11,009 foreign-invested companies in the secondary industry were in operation, accounting for 28.6% of the total inspected companies and 2.6% lower than 2011 inspection. Registered foreign capital totaled USD 58.191 billion, 3.2% higher than the previous inspection. It accounted for 31.4% of total capital of inspected companies and 2.4% lower than the previous inspection. 10,579 foreign-invested companies in the category of manufacturing participated in the inspection, accounting for 27.5% of the total number and 420 less than the previous inspection. Registered foreign capital of these companies totaled USD 57.017 billion, accounting for 30.8% of all inspected companies. 27,405 foreign-invested companies in the tertiary industry participated in the inspection, 8.8% higher than the previous inspection. They accounted for 71.2% of the total inspected companies and 2,219 more than the previous inspection. Their registered foreign capital totaled USD 126.634 billion, 15.1% higher than the previous inspection.
III. Foreign investment contributed more to Shanghai’s economy

1. Tax

More tax from foreign investment. Tax revenue from foreign-invested companies totaled RMB 368.628 billion in 2012, 9.9% higher than the previous year and contributing 35.4% of the city’s total tax revenue. In terms of sectors, tax revenue from tertiary industry exceeded the secondary industry, reaching RMB 229.815 billion and 13.4% higher than the previous year. Tax revenue from the secondary industry totaled RMB 138.469 billion, 4.7% higher than the previous year.

- 134.955 manufacturing contributed RMB 134.955 billion, 4.1% higher than the previous year
- 136.387 commerce contributed RMB 136.387 billion, 15.8% higher than the previous year
- 28.596 headquarter-based leasing and commercial services contributed RMB 28.596 billion, 16.0% higher than the previous year
- 20.615 logistics & warehousing contributed RMB 20.615 billion, 12.0% higher than the previous year
- 19.293 real estate contributed RMB 19.293 billion, 0.5% higher than the previous year

In terms of industries, manufacturing contributed RMB 134.955 billion, 4.1% higher than the previous year; commerce contributed RMB 136.387 billion, 15.8% higher than the previous year; headquarter-based leasing and commercial services contributed RMB 28.596 billion, 16.0% higher than the previous year; logistics & warehousing contributed RMB 20.615 billion, 12.0% higher than the previous year; and real estate contributed RMB 19.293 billion, 0.3% higher than the previous year. This reflects the dynamics in the market and the leading role of headquarter economy and modern logistics in increasing tax revenues. Manufacturing companies grew slower due to industrial restructuring and real estate remained flat due to the macro policy control the property market.

- 368.628 tax revenue from foreign-invested companies totaled RMB 368.628 billion in 2012, 9.9% higher than the previous year and contributing 35.4% of the city’s total tax revenue
- 229.815 tax revenue from tertiary industry exceeded the secondary industry, reaching RMB 229.815 billion and 13.4% higher than the previous year
- 138.469 Tax revenue from the secondary industry totaled RMB 138.469 billion, 4.7% higher than the previous year

2. Employment

Foreign-invested companies continued to be main source of employment and hired 3.2264 million employees in 2012, the same or more accurately 1,100 less than 2011. Foreign-invested companies absorbed 28.9% of the total employment of the city (11.155 million).

3. Import & Export

According to statistics in 2012, the import and export of foreign-invested companies accounted for 66.4% of the city’s total. Export accounted for 67.1% and import accounted for 65.8%. The industrial output of foreign-invested companies totaled RMB 1939.745 billion or 61.5% of the city’s total in 2012.

Tax revenue of foreign-invested companies in 2012

<table>
<thead>
<tr>
<th>Category</th>
<th>Tax</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary industry</td>
<td>138.469</td>
<td>37.6%</td>
</tr>
<tr>
<td>Tertiary industry</td>
<td>229.815</td>
<td>62.3%</td>
</tr>
<tr>
<td>Total tax revenue</td>
<td>368.628</td>
<td></td>
</tr>
</tbody>
</table>
IV. Employment remained stable and industrial structure continued to optimize

Foreign–invested companies absorbed 3,226,400 employees in 2012, 1,100 less than the previous year (91,500 foreign employees, 2,500 more than the previous year) and employment remained stable.

In terms of sectors, the number of employees in the secondary industry exceeded tertiary industry. However, new employment in the tertiary industry continued to grow while employment in the secondary industry began to drop. 1,697 million employees worked in the foreign–invested companies of the secondary industry, 3.0% lower than the previous year. 1,522 million employees worked in the tertiary industry, 3.5% higher than the previous year.

### Industry breakdown of employment of foreign–invested companies in 2012

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number of employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>All industries</td>
<td>3,226,440</td>
<td>100%</td>
</tr>
<tr>
<td>Primary industry</td>
<td>736,500</td>
<td>23.17%</td>
</tr>
<tr>
<td>Secondary industry</td>
<td>1,697,048</td>
<td>52.6%</td>
</tr>
<tr>
<td>Mining</td>
<td>169,000</td>
<td>0.01%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1,660,409</td>
<td>51.46%</td>
</tr>
<tr>
<td>Power, gas and water production and supply</td>
<td>96,490</td>
<td>0.3%</td>
</tr>
<tr>
<td>Architecture</td>
<td>268,210</td>
<td>0.83%</td>
</tr>
<tr>
<td>Tertiary industry</td>
<td>1,522,027</td>
<td>47.17%</td>
</tr>
<tr>
<td>Transportation, logistics, warehousing and postal services</td>
<td>225,140</td>
<td>6.85%</td>
</tr>
<tr>
<td>Information, computer and software</td>
<td>132,930</td>
<td>4.12%</td>
</tr>
<tr>
<td>Retail and wholesale</td>
<td>535,116</td>
<td>16.59%</td>
</tr>
<tr>
<td>Hotel and restaurant</td>
<td>136,552</td>
<td>4.23%</td>
</tr>
<tr>
<td>Financial services</td>
<td>325,010</td>
<td>1.01%</td>
</tr>
<tr>
<td>Real estate</td>
<td>73,073</td>
<td>2.26%</td>
</tr>
<tr>
<td>Leasing and commercial services</td>
<td>257,775</td>
<td>7.99%</td>
</tr>
<tr>
<td>Scientific research, technical service and geological survey</td>
<td>565,010</td>
<td>1.75%</td>
</tr>
<tr>
<td>Water, environment and utility management</td>
<td>55,640</td>
<td>0.17%</td>
</tr>
<tr>
<td>Residential services and other services</td>
<td>522,040</td>
<td>1.62%</td>
</tr>
<tr>
<td>Education</td>
<td>43,790</td>
<td>0.14%</td>
</tr>
<tr>
<td>Health, social insurance and social welfare</td>
<td>23,620</td>
<td>0.07%</td>
</tr>
<tr>
<td>Culture, sports and entertainment</td>
<td>78,950</td>
<td>0.24%</td>
</tr>
<tr>
<td>Public administration and social organization</td>
<td>35,000</td>
<td>0.01%</td>
</tr>
</tbody>
</table>
1.3 Multinational’s regional headquarters and R&D centers

1.3.1 Multinational’s regional headquarters

Multinational’s regional headquarters (RHQ) is a company established by a multinational corporation to coordinate and manage investment and business in a certain region. It usually includes functions such as management, procurement, sales, R&D, logistics, distribution, capital operation and shared services.

Encouraging and supporting multinationals to set up RHQs is an important approach for Shanghai to attract foreign investment and expand reform and opening. In 2011, to further extend the function and capability of RHQ, set up Asian or Asia-Pacific headquarters as well as global headquarters of business units, and consolidate business in Shanghai, Shanghai Municipal People’s Government amended the "Regulation of Shanghai on Encouraging the Establishment of Multinational’s Regional Headquarters". In 2012, the municipal government issued the Implementation Rules to the "Regulation of Shanghai on Encouraging the Establishment of Multinational’s Regional Headquarters", which clearly defined policy incentives to RHQs.

I. Development of RHQs in Shanghai

In 2012, Shanghai witnessed positive development of Headquarter Economy. 50 RHQs were certified and 25 foreign holdings were approved. Global 500 company Kimberly Clark and Japanese biggest agriculture equipment manufacturer Kubota established China headquarters. World top 10 pharmaceutical company Astra Zeneca moved its Asia-Pacific headquarters from Singapore to Shanghai and MSD, another top 10 pharmaceutical company, incorporated its holding. Up to the end of 2012, Shanghai was home to 403 RHQs, 4 global 500 companies set up their regional headquarters. One Asian headquarter was also added in 2012. Up to the end of 2012, 265 foreign holdings were approved and Shanghai has become No.1 location on mainland China for RHQs.

II. Development characteristics of RHQ

1. Main source country/region is US, Europe and Japan

The main source country/region of RHQs in Shanghai is US, Europe and Japan. In 2012, Japanese companies set up 22 RHQs, accounting for 44%. US companies established 10, accounting 20%. European companies incorporated 12, accounting for 24%. In terms of total RHQs in Shanghai, 131 or 32.5% are from US; 106 or 26.3% are from Europe; and 94 or 23.3% are from Japan. Meanwhile, 32 or 7.9% are from Taiwan, Hong Kong or Macao, 40 or 10% are from rest of the countries.

<table>
<thead>
<tr>
<th>Source country/region</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>131</td>
<td>32.5%</td>
</tr>
<tr>
<td>Europe</td>
<td>106</td>
<td>26.3%</td>
</tr>
<tr>
<td>Japan</td>
<td>94</td>
<td>23.3%</td>
</tr>
<tr>
<td>Taiwan, Hong Kong and Macao</td>
<td>32</td>
<td>7.94%</td>
</tr>
<tr>
<td>Rest of countries</td>
<td>40</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

1. 189 holdings or 46.9% and 214 management companies or 53.1%.
2. More manufacturing companies establish RHQs and the proportion of service company RHQs is increasing

In 2012, manufacturing companies set up 42 RHQs, absolute majority, while service companies established 6 RHQs. In terms of all RHQs in Shanghai, 311 RHQs or 77.2% are established by manufacturing companies and 92 RHQs or 22.8% are established by service companies. In recent years, as Shanghai has restructured its economy and expanded opening of the service sector, more RHQs have been from the service sectors such as commerce, advertising, HR, logistics and life services than the traditional manufacturing. The proportion of RHQs from service companies are increasing.

3. Registration location concentrated in Pudong and gradually spread to other districts

In 2012, 22 RHQs or 44% were registered in Pudong New District. In terms of all RHQs in Shanghai, 189 or 46.9% are in Pudong. On the west side of the Huangpu river, RHQs are registered mainly in Xuhui, Changning, Huangpu and Jing’an District. Currently, multinationals tend to buy land or buildings at premier location such as Zhangjiang and Jinqiao of Pudong New District and Zizhu of Minhang District and Linkong of Changning District, set up their RHQs, and take roots in Shanghai.

5. Multinationals are consolidating Chinese business via RHQ

Via RHQ in Shanghai, multinational corporations are consolidating investment, procurement, sales, R&D, capital management, and shared services as well as management teams into Shanghai.

4. RHQs are expanding scale and capabilities and consolidation effect is obvious

RHQs are expanding scale. Due to good investment environment and innovative policy incentives in Shanghai, RHQs are expanding scale and capabilities, or upgrade China headquarter to Asia-Pacific headquarter, or establish global headquarter for business units. In general, RHQs in Shanghai has cross-border management functions. For example, Bayer has relocated its global headquarter of material science business to Shanghai. DSM’s global headquarter of fiber intermediates, ABB’s global headquarter of robots, and Honeywell’s global headquarter of electronic materials are all in Shanghai. Ford has relocated its Asia-Pacific and African headquarter from Thailand to Shanghai.

6. RHQs are contributing significantly to Shanghai’s economy

According to joint annual inspection of foreign–invested companies, the sales revenue of RHQs in Shanghai in 2012 totaled RMB 396.143 billion and paid RMB 26.687 billion of tax (including customs duties).
III. Improvement of RHQ policy incentives

To execute the "Regulation of Shanghai on Encouraging the Establishment of Multinational’s Regional Headquarters" amended in December 2011 by the city government, 8 city departments including Commission of Commerce, Finance Bureau, Human Resource and Social Insurance Bureau, Entry–Exit Administration, Shanghai Branch of People’s Bank of China, Inspection and Quarantine Bureau jointly issued the "Implementation Opinions on Regulation of Shanghai on Encouraging the Establishment of Multinational’s Regional Headquarters.” [City Government No. 2012–98]. The implementation opinion focuses on "upgrading capabilities, consolidating business and extending functions" as shown in the following aspects:

1. Strengthen financial subsidy

Encourage multinational corporations to move more headquarter functions to Shanghai, support consolidation of internal equities, and guide holding–type RHQs to concentrate tangible business.

A. Support multinational corporations to setup RHQs for Asian, Asia–Pacific or larger region and increase financial subsidy: RMB 8 million subsidy paid in three years for qualified Asian, Asia–Pacific or larger region RHQ; one–time RMB 3 million subsidy for certified upgrade of existing RHQs.

B. Support RHQs to consolidate business. The previous implementation opinion did not involve any incentives to non–state–level RHQs in terms of consolidated sales and thus less supportive to the concentration of tangible business. The amendment keeps the existing incentives and adds reward to non–state–level RHQs: one–time RMB 5 million reward to RHQ whose sales revenue exceeds RMB 1 billion.
2. Improve business environment for RHQs, specifically in terms of capital management, personnel mobility and customs clearance facilitation

A. Actively facilitate the capital management of RHQs. The amended implementation opinion defines principles how RHQs manage capital and support the pilot test of central management of capital and overseas borrowing. According to the needs of Shanghai’s "four center" initiatives and capital management requirements of RHQ for larger region, foreign exchange authority has started new approaches to facilitate RHQ’s capital management. Meanwhile, there are also facilitation measures for RHQs to use RMB in cross-border business including test of simplified procedure for RHQ’s RMB current account, central RMB payable and receivable of RHQs under current account, and relocation of offshore RMB settlement center of RHQs to Shanghai.

B. Further improve facilitated customs clearance for RHQs. The amended implementation opinion extend the test policy to inspection and quarantine procedure for bio materials used in R&D and consolidated customs declaration for RHQs and its affiliates with credibility rating of Class A or above.

C. More support to mobility of RHQ’s personnel. To take the advantage of human resources in Shanghai, the amendment offers more to the mobility of RHQ’s personnel. For example, permanent residency has been extended from the previous foreign executives of RHQs alone to foreign executives and managers of companies under RHQ and with registered capital of no less than USD 3 million. RHQs can register as authorized guarantee units for landing visa. Foreign executives and senior technicians of RHQs can apply for "Foreign Expert Certificate". Employees from other provinces or cities of China can apply for Shanghai household registration if they are hired by a RHQ or a foreign R&D center of separate legal entity. Meanwhile, entry-exit and quarantine authorities also offer green channel for legal person and senior personnel of RHQ to acquire health certificate.
After a decade of efforts, Shanghai has achieved significant progress in attracting RHQs and developing Headquarter Economy. Meanwhile, the development RHQs has brought new challenges to the city’s "hardware and soft environment" such as government service, legal environment, and urban infrastructures. In the 12th Five Year period, Shanghai will implement the strategy of innovation–driven and transformational development, strengthen the advantage of human resources, production services, living conditions, business environment, government efficiency, and professional services, endeavor to a better environment compatible with international practices for the development of RHQs, and attract more RHQs and other functional units of multinational corporations to Shanghai.

IV. Overall strategy of developing Shanghai’s Headquarter Economy

According to the new development of multinational corporations and Shanghai’s 12th Five Year Plan, the overall strategy of growing Headquarter Economy and attract RHQs is: continue to expand reform and opening, follow the new strategy of RHQs– "in Shanghai, for world", improve central management, focus on RHQs with substantial coordination and decision–making capabilities, encourage multinationals to establish Asia–Pacific headquarters, global headquarters of business units, and global R&D centers in Shanghai, support consolidation of subsidiaries and business in China via the platform of RHQ, and further upgrade the functions of RHQs and other functional units with tangible business, encourage RHQs to consolidate procurement, sales, R&D, capital management, shared services, logistics, distribution, and management functions, extend RHQ’s range of functions, and improve their value and performance. Continue to improve policy incentives, apply tailored incentives to RHQs of different categories, and further improve the business environment for RHQs.
1.3.2 Multinational’s R&D Center

Foreign R&D center is an important part of RHQs and functional units in Shanghai. It is an important measure for Shanghai in terms of attracting both capital and intellectual property to support multinational corporations to establish R&D centers. In order to improve quality and performance of foreign investment and healthy development of R&D activities, the city’s Commission of Commerce, Commission of Science and Technology, and Commission of Development and Reform jointly issued “Several Opinions of Shanghai on Encouraging Multinationals to Establish R&D Centers” in 2012 and clearly define policy incentives to foreign R&D centers.

I. Status quo of foreign R&D centers

There has been a positive development of foreign R&D centers with 17 new established in 2012. Up to the end of 2012, Shanghai is home to 351 foreign R&D centers. 216 are independent and 135 are non-independent. Shanghai has been one of the locations with the highest number of foreign R&D centers. Foreign R&D centers play a positive role in attracting talents, technology innovation, improving industrial capabilities and industrial restructuring.

II. Facts and figures about foreign R&D centers

1. More upscale projects with investment over USD 10 million

Upscale R&D centers began to appear in Shanghai from 2000. Up to the end of 2012, 96 R&D centers or 27.35% were above USD 10 million in terms of investment. 4 of them or 1.14% were above USD 100 million; 35 of them or 9.97% were between USD 30 to 100 million; and 57 of them or 16.24% were between USD 10 to 30 million.

<table>
<thead>
<tr>
<th>Investment (USD million)</th>
<th>Number</th>
</tr>
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<tbody>
<tr>
<td>100+</td>
<td>4</td>
</tr>
<tr>
<td>30-100</td>
<td>35</td>
</tr>
<tr>
<td>10-30</td>
<td>57</td>
</tr>
</tbody>
</table>

2. R&D focuses on high-tech industries

Their R&D activities focus on high-tech industries such as information technology, medicine, automobile & component and chemical. 87 R&D centers or 24.79% of them are from medical industry. 7 of the world top 15 drug companies have established R&D centers including Pfizer, GSK, Astra Zeneca, Roche, Novartis, Eli Lilly, and Boehringer–Ingelheim. 85 R&D centers or 24.22% of them are for information technology. 42 R&D centers or 11.96% of them are involved in automobile and components. 39 R&D centers or 11.11% of them are for chemical research. As global energy saving and environmental protection industries are booming, R&D centers involved in new material and new energy research have increased 24, accounting for 6.85% of the total.
3. Investments are mainly from developed countries or regions

Main sources of investment are developed economies such as US, Europe, Japan and Hong Kong. 80 or 22.79% are from the US; 60 or 17.09% are from Europe; 44 or 12.54% are from Japan; and 75 or 21.37% are from Hong Kong.

4. Unevenly located in different districts of Shanghai

R&D centers concentrate in Pudong New District (185 in total and 128 are in Zhangjiang High-tech Park), Minhang District (44), Jiading District (32), Xuhui District (23), Changning District (20), and Songjiang District (19). Fewer are in other districts.

5. R&D activities focus on technology and product development

For now, foreign R&D centers fall into three categories: basic research, technology & product development, and product localization. As foreign R&D centers are close to RHQs of their parent companies and production facilities, most of their activities are technology and product development as of D in the R&D, catering the changing market demands, for example, GE China R&D Center, Shanghai Bell-Alcatel Technology Center, China R&D Center of Ciba Specialty Chemical and Unilever Shanghai Research Center. Few of them are involved in basic research and product localization.

6. Extend local R&D activities to global activities

Multinational corporations are growing the importance of R&D centers in Shanghai in their global network and engage more global or regional R&D activities. GE’s R&D center in Shanghai is one of its three global R&D centers; Dupont Shanghai Research Center is the third largest outside of the US; Unilever China Research Center is one of its three R&D centers; Delphi Shanghai R&D center is the fifth of its kind globally; and Coca Cola Product Research and Test Center is the headquarter for its R&D activities in Asia-Pacific Region.
III. Policy incentives to foreign R&D centers have been timely updated

Shanghai was the first to issue the "Interim Regulation on the Establishment of Foreign-invested R&D Centers" in 2000, offering policy incentives such as tax reduction for equipment and technology import, exemption of business tax for technology transfer, and conditional offset of income tax. In 2003, Shanghai issued "Several Opinions of Shanghai on Encouraging the Establishment of Foreign-invested R&D Centers" and extended incentives to technology commercialization, foreign exchange management, visa services, talent attraction, customs clearance for R&D samples, and IP protection. These policies have been instrumental to the concentration of foreign R&D centers in Shanghai. In recent years, as national policies and foreign R&D activities changed, existing policy incentives were not enough to serve the needs of foreign R&D centers. Therefore, the city’s Commission of Commerce, Commission of Science and Technology and Commission of Development and Reform jointly updated “Several Opinions of Shanghai on Encouraging the Establishment of Foreign-invested R&D Centers”.

Compared to the previous version, the new “Several Opinions of Shanghai on Encouraging the Establishment of Foreign-invested R&D Centers” is:

A. Strengthen the policy support to R&D centers:
For example, customs duties are exempted for imported R&D equipments within the total value of investment; certified R&D centers can enjoy zero customs duty, import VAT and consumption tax for imported R&D consumables; R&D expenditures can be deducted before tax; policy incentives for certified foreign high-tech companies can be extended to their R&D centers; and policy incentives to technologically advanced foreign service companies can be extended to their R&D centers.

B. Encourage the commercialization of research results and diversified R&D cooperation:
Encourage foreign R&D centers to trade indigenous IP and research results in technology exchanges, support diversified R&D cooperation between foreign R&D centers and universities, research institutes and other companies of the city, and support foreign R&D center to participate in public R&D platform and integrate better to the city’s innovation network.
C. Offer more facilitation to R&D employees:
The new policy adds articles for visa services, work permits, and training talents, which allows expatriates of foreign R&D centers to apply for living permit valid for 5 years, facilitates household registration for R&D employees in urgent need, adds work permits to R&D-relevant employees, and incentives for training talents. These new measures are instrumental for foreign R&D centers to employ and train R&D talents.

IV. Overall strategy of developing foreign R&D centers in Shanghai
According to the new development of multinational corporations and Shanghai’s 12th Five Year Plan, the overall strategy of developing foreign R&D centers is:

Continue to expand reform and opening, follow the new strategy of RHQs – “in Shanghai, for world”, encourage the involvement of foreign investment in Shanghai’s indigenous innovation network, give full play of the spillover effect of foreign R&D centers, support multinational corporations to bring higher technology and value-added production techniques, industrial design and research to the city, attract multinational corporations to set up training centers for technology spread. Meanwhile, foreign companies are encouraged to bring more core technologies and carry out local R&D activities.

Encourage foreign R&D centers, and research institutes to cooperate with the city for key technology research and IP sharing for strategic emerging industries. Support qualified foreign companies to apply for national research project, innovation capability project, and certification of national technology center in cooperation with domestic companies and research institutes.

Promote technology exchange and cooperation between foreign R&D centers and domestic companies, universities and research institutes. Encourage multinational corporations to cooperate strategically with Shanghai-based companies so as to give access for Shanghai-based companies to multinational’s global R&D network. Strive to establish joint international research center and international technology and innovation union, and promote the development of international platforms for technology transfer and international incubation.
Part Two. What Concerns Foreign Investors
2.1 Modern services

2.1.1 Modern services

2012 Facts and figures of trade in services in Shanghai

According to statistics of Ministry of Commerce, the import and export of trade in services via Shanghai totaled USD 151.56 billion in 2012, accounting for 30.7% of the nation and 17.2% higher than the previous year. Export totaled USD 51.53 billion and import totaled USD 100.03 billion, rising 8.9% and 22.1% respectively.

Development of Trade in Service in Shanghai

- Create public platform for trade in services and innovate development of trade in services
- Improve policy incentives and strengthen corporate competitiveness
- Promote key companies for trade in services and significantly grow key sectors of trade in services
- Support companies to participate in domestic and international promotion activities and explore overseas market
- Improve business environment and enhance the city’s competitiveness for trade in services
- Strengthen the advertising campaign for trade in services and prospective research
- Plan and launch national translation base project for cultural services
- Roll out overseas sales network for Chinese traditional medicines
- Create a public service platform that combine functions such as consulting, financial support, and standardization
- Execute application for training programs of service outsourcing talents, interest subsidy for software industry and subsidy for culture export
- Smooth transition from business tax exemption to VAT exemption for offshore service outsourcing and research the BPO certification standards for international logistics
- Promote international shipping agents
- Support trade in professional services
- Grow service outsourcing and software export
- Accelerate “Go Global” of culture services
- Research the development of trade in traditional Chinese medication
- Successfully organize the “10th Global IT Outsourcing Summit”
- Organize Shanghai delegation to China Beijing International Fair for Trade in Services and activities of “Shanghai Day”
- Organize “Sino-Korea Businessmen Luncheon Networking” in Busan of Korea
- Organize “Seminar of Financial supports and Service Outsourcing”
- Issue and implement policies to facilitate trade in services such as “Green channel for foreign exchange of service outsourcing” and convenient customs clearance for bio-pharm R&D samples
- Strengthen the protection and awareness of intellectual property
- Compile and publish “2012 Report of Trade in Services in Shanghai”
- Compile “Explore the Way of Go Global for Trade in Services – Selected Cases in Shanghai” and “Selected Cases of Companies for Trade in Services in Shanghai”
- Invite experts to give lectures on trade in services
2.1.2 Comprehensive reform of modern services

Logistics industry keeps expanding

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>33790</td>
<td>33,790 tons Throughput of two airports in Shanghai</td>
</tr>
<tr>
<td>736000000</td>
<td>736,000,000 tons Throughput of Shanghai port</td>
</tr>
<tr>
<td>944000000</td>
<td>944,000,000 Throughput of all cargo shipment in Shanghai</td>
</tr>
</tbody>
</table>

Create an "All-around logistics resource allocation" platform

The 56135 platform established by Ground Transportation Exchange has over 100,000 members. It posts 800,000 valid lines of information every day and closes a total of 160,000 deals, which involves an aggregate value cargo of RMB 27.1 billion. The logistics cost of its members has been lowered to 8% of its cargo value. Meanwhile, sea–land relay exchange platform will be prepared to realize seamless connection between sea and land transportation.

Build an "All–temperature distribution center" for social services

The 200,000 m² "All–temperature distribution center" constructed by Bailian Group, the biggest of its kind in China, has been topped out. It will have storages for four temperature ranges–normal, cool, cold and freezing and 200 loading docks. Meanwhile, 4 tray operation centers have been established and the number of leased trays exceeds 50,000 every day, 5 times more efficient in logistics services.

Chain stores offer "24–hour pickup services"

NGS Group has tested "online booking, store pickup" services in its 2,300 chain stores under brand names of NGS, Alldays and Wayuan. Products will be delivered to the door if they are shopped via online shops and 96896 sales line. The daily delivery keeps stable at 20,000 pieces and the call center has grown from 100 to 500 people.

Promote "Distribution with continuously visualized surveillance" for vegetables and drugs

Based on 3 distribution centers, the vegetable supply chain connect to the upstream of 13,300 hectares of plantations and downstream of 800 supermarkets, food markets, direct outlets, and restaurants. 350,000 tons of vegetables are distributed through its e–business website.

Shanghai Pharm has established the cold chain management platform, delivers 3 million vaccines each year and supports 65% of clinics for vaccination. A surveillance system that covers 688 types of drugs has been established to cover 29 hospitals including almost all Class 3 hospitals. The platform has offered logistics services to 5 Class 3 hospitals to realize the separation of getting prescription and filling prescription.
Logistics services has been extended in the Comprehensive Tax–bonded Zone

Scale operation of tax–bonded deliver of futures

◆ Bulk import and export in the comprehensive tax–bonded zone is rising rapidly, reaching USD 13 billion in 2012 or 55% higher than the previous year.
◆ Yangshan Tax–bonded Zone attracted 33 new bulk traders, making the total of 53. The additional sales volume totaled RMB 20 billion in 2012.

Mixed processing of tax–bonded and non–tax–bonded cargo at Airport Tax–bonded Zone

◆ Mixed processing of tax–bonded and non–tax–bonded cargo on the airborne cargo service platform was successfully launched on November 30, 2012, a milestone for integrated operation in the zone.

International relay and consolidation launched

◆ International relay and consolidation were tested from December 12 to 19 in 2012. The first outbound shipment left Waigaoqiao Port for Yangshan Port and was consolidated with other outbound shipments and shipped to the destination. The international relay and consolidation has finally been realized and for the first time engage relay first and then consolidation. This marks the beginning of international relay and consolidation in Yangshan Port Tax–bonded Zone.

Integrated service platform for SOEs has been improved

Easipass developed E&P International:

The Easipass platform has realized electronic processing of 44 documents out of 58 or 75% of documents used in customs clearance. Its 46 sub systems cover almost every function in the electronic clearance and e-logistics, a highly integrated platform.

“56 Cloud” developed by Ground Transportation Exchange based on the 56135 platform:

High–accuracy matching capabilities based on cloud computing has been realized between trucks and cargos. It significantly promotes cooperation between logistics and other industries and caters the need of small companies with accurate, low cost, and low minimum requirement logistics services.

“56 Hui” platform developed by Shanghai Newstep Logistics:

Over 4,500 service providers have joined and over 37,000 companies registered the platform, which offers 47 products and services such as logistics management software, central dispatch management, call center services, and GPS of vehicles. It helps to improve logistics management and service quality of logistics SOEs and has reduced RMB 500,000 of operational costs and RMB 600,000 of insurance costs for its members.

Multinational corporations are concentrating Asia–Pacific distribution centers in the city.

◆ Being a test area for the development of international shipping services, Yangshan Port Tax–bonded Zone attracted distribution centers of 60 companies for telecom & electronics, automobile & components, premier food, and premier clothes. It has become the distribution base for US and Europe, industrial base for bulk products, and supply chain base for imported food, clothes, and automobiles to the domestic market.
◆ The test area for innovative services of Airport Tax–bonded Zone has taken shape. It focuses on Asia–Pacific distribution center, financial leasing, and express mail delivery that rely on air transportation. Over 20 famous multinationals such as TI, Seco Tools, Sony, Dell, and ST Electronics have set up their distribution centers in the Airport Tax–bonded Zone.
The service capability of logistics companies are improving

◆ Up to December 2012, there have been 125 Class A logistics companies
◆ 54.4% of logistics companies are Class A or above
◆ 39 logistics companies have been awarded "Model Logistics Company of 2012"
◆ 33 logistics companies were given the name of "Famous service brand in Shanghai"

Business environment for logistics is improving

◆ The State Council issued the "Opinion on Deepening the Reform and Promotion Circulation Industry", which urges to develop third-party logistics services and outsourcing logistics instead of in-house logistics. Following the opinion, the General Office of the State Council enabled 10 policy incentives to reduce costs for distribution, focusing on cutting logistics costs. The "12th Five Year Plan of Domestic Trade" and "12th Five Year Plan of Service Sector", both put forward new requirements to the development of logistics services.
◆ In 2012, Shanghai city government officially issued the "12th Five Year Plan of Modern Logistics Industry". The city’s Commission of Commerce, Commission of Development and Reform, Commission of Transportation and Port, and Public Security Bureau jointly issued the "Implementation Plan of Shanghai to Accelerate the Development of Distribution and Logistics Services". The plan clearly defines the three-tier distribution and logistics network with well connected and highly efficient interfaces. It also supports co-distribution, chain store distribution, e-commerce distribution, special security delivery and emergency distribution.
◆ Meanwhile, Shanghai tested VAT reform from 2012, involved logistics services into the reform to eliminate duplicate taxation and reduced the tax burden to small logistics companies. To cost increase cases of some transportation companies, relevant city departments are researching improved measures to address tax burden issues systemically.

Cross-region logistics cooperation has been strengthened

On May 6, 2012, authorities responsible for logistics industry of Jiangsu Province, Zhejiang Province and Shanghai hosted Conference of Integrated Development of Modern Logistics in the Yangtze River Delta and China (Zhejiang) Forum of Logistics Development in the Yangtze River Delta at Yiwu city of Zhejiang Province. Innovation in logistics and supply chain services and new cooperation with manufacturing and trading were discussed and 15 "Well regulated and credible" companies in the Yangtze River Delta for 2010 to 2011 were rewarded. The conference and forum moved forward again the service capability of modern logistics services in the delta.
2.1.3 Service concentration areas and professional services

Concentrated development takes effect
The city has made 25 concentration areas as priority projects in the "12th Five Year" period.

- Aggregate floor spaces of concentration areas totaled 27.82 million square meters at the end of 2012
- Investment exceeded RMB 368 billion
- Tax revenue totaled RMB 65.2 billion with 127 buildings each contributes over 100 million
- Attract 176 Multinational’s RHQs and hire 890,000 employees

Development of Four Central Business Districts

- **Lujiazui Financial & Trade District**
  - Attract 3,600 service companies including 600 financial exchanges, banks, security, and insurance companies, accounting for 70% of the city’s total

- **People’s Square CBD and Huai Hai Road International Fashion & Business District**
  - Tax from financial services totaled RMB 1.49 billion in 2012, 19.2% higher than the previous year, making it the core industry in the region

- **North Bond Shipping and Financial Service District**
  - 3,876 shipping-relevant companies concentrate in the district for "cluster of companies, market of resources, and chain of shipping services"

- **Hongqiao Business District**
  - A number of exhibition & transaction center, country-specific commodity center and technical service center have been launched. Based on International Sourcing Fair, the district endeavors to be the paradise for procurement.

Development of new satellite towns
The development of new satellite towns not only powers up the economy in the respective region, but also compliments existing industries as well as boosting service sectors in suburban districts.

In the "12th Five Year" period, West Hongqiao Business District in Qingpu, Fengjin International Business District in Jinshan, Songjiang New International Ecological District in Songjiang, Chenjia Town Modern Service Area in Chongming, and RHQ District of Listed Companies in Jiading will be established and the network has been extended to all suburban regions.

**Changfeng Ecological Park**
Its 400 tenant companies contributed a total tax revenue of RMB 2.073 billion in 2012. With 5 "100–million–tax buildings", the previous Changfeng Industrial Park has transformed to a beautiful area for premier office buildings, foreign and domestic RHQs, and environment-friendly communities, an excellent example of successful transformation.

**Suhewan Commercial & Business District**
Taking the advantage of being a concentration area, Suhewan explored historical heritage, relocated old communities, build high–standard landscape, attract modern service companies, and resurrect its brand and reputation, which helps to compliment the functions of downtown Shanghai. It has 9 "100–million–tax buildings".
2.2 Smart City Initiative

3-year Plan

After 3 years of efforts and to the end of 2013, the smart city initiative will achieve the progress of "upgraded capability of infrastructures, outstanding model of performances, obvious effectiveness of key applications, breakthrough of key technologies, international level of relevant industries, and safety in information security".

Key infrastructure development

**Broadband construction**
- Optical fiber broadband: optical connection will cover 6.5 million families.
- Next-generation Broadcasting: NGB upgrade of 4.9 million cable TV users, and digitalization of 1.8 million cable TV users in suburban districts.

**Wireless network**
- WLAN hotspots: install 22,000 hotspots (approximately 130,000 APs)
- 3G network: achieve full coverage of wireless broadband access above 1Mbps and 3Mbps access for downtown and new satellite towns.
- TD–LTE test network: complete the construction of TD–LTE test network and strive to cover the downtown and part of satellite towns. Be the first to launch commercial operation of TD–LTE.

**Telecom hub**
- Submarine optical cables: APG lands on the city and put into operation; capacity expansion of TPE and APCN2; and strive to realize 10Tbps access to submarine optical cables.
- Capacity expansion and interconnection of international and domestic Internet: achieve 1Tbps and 5 Tbps for international and domestic Internet access. Encourage basic telecom operators to enhance direct connection between different networks and interconnection with other network operators.

**3-to-1 network consolidation**
- Management platform: complete consolidated management platform, network information security control platform, and content surveillance platform for IPTV, and mobile TV.
- New test services: Expand functions of IPTV and mobile TV as well as internet connection based on cable TV network. Support the test operation of IP phones based on cable TV network.
- Promote application of interaction of multiple screens, HD TV, interactive entertainment, and smart home appliances. Explore innovative management and business models.
- Business development base: Accelerate the construction of China Telecom’s interaction platform for mobile phone screen, PC screen, and TV screens, promote the construction of China Mobile’s Video Service Innovation Center, develop new video services for mobile phones and new handset terminals, and support the consolidation of different video services. Support China Unicom’s operation base for its App Store, improve business management platform and application development, consolidate content resources, and expand applications.

**Functional infrastructure**
- IDC: central and upscale IDC deployment for high-end services such as enhanced cloud computing, and virtual storage. IDC frames exceed 20,000.
- Phase IV of Super Computing Center: research and introduce world-leading main frame of super computers, finalize location selection of Phase IV, and construct necessary supporting facilities.
- High-precision Positioning Services: complete the construction of multiple bases for Beidou Navigation Satellite, GPS Satellite, and GLONASS Satellite. Complete the broadcasting platform based on CORS (Continuously Operating Reference Station) and high-precision positioning platform. Offer diversified position-relevant applications.
Key projects of IntelliSense and smart application

City construction management

- Extended application of grid management system
- Establish and improve professional grid management system
- Improve market information management platform
- Establish management platform for underground spaces
- Test application of "smart water pipe"
- Model application of "smart grid"

City operation safety

- Food safety surveillance and information service platform
- Comprehensive information management system for safe production (Phase II)
- Digital Platform for intelligent fire control
- Early warning system for multiple disaster prevention
- Security video sharing system

Smart traffic

- Comprehensive traffic information and service platform
- Public transportation information service system
- Comprehensive traffic control system
- Electronic Toll Collection

Social program and public service

- Health information project based on citizen’s electronic medical files
- Digital education project
- Community information and service platform
- E-bill service platform
- Virtual weather station

Information and data mining

- Information sharing system of legal persons (Phase II)
- Geographic data sharing and application
- Information index system
- Credibility service platform for SMEs

E-government

- Establish and improve online party affairs platform
- Comprehensive service platform for talent management
- Electronic document management platform
- Online administrative approval platform
- Second generation social insurance card
- Adaptation of government websites for visually handicapped people
- Comprehensive service hotline for citizens
- Capital, asset and resource surveillance platform for villages
- Comprehensive service platform for community affairs
- Legal person online identification system

"Four center” initiatives

- Online portal of Shanghai International Shipping Center
- Easipass for electronic customs clearance
- Platform for China (Shanghai) International Trade Center
- Surveillance and warning system for global trading and investment
- Achieve National Model City of E-business
- Establish E-business Innovation & Test Zone in Pudong
- "Double-boost” project for e-business
- Develop third-party payment

Consolidation of industrialization and intelligence

- Intelligent product project
- Model digitized factory project
- Promote parallel development of industries
- Industrial information service platform
- "Digital Park"
Key projects of new-generation information technology

Cloud computing
- Attract domestic and foreign Internet companies, explore business model of cloud computing for finance, health care and culture sector, and make the city the cloud computing center in the Asia-Pacific region.

Internet of Things (IOT)
- Make breakthroughs in core technologies, apply model application projects, innovate business development models, promote balanced development IOT production and services, form application market and relevant supply chains, and strengthen the leading position of Shanghai in China’s IOT industry.

TD–LTE
- Construct the “National TD–LTE Test Network”; achieve breakthrough in core technologies, amplify the advantage of Shanghai in TD–SCDMA industry, establish the complete supply chain; explore innovative TD–LTE business and make Shanghai the R&D and innovation center for TD–LTE in China.

High–end software
- Establish a number of industrial software solution providers and concentration parks, promote the development of intelligent terminals, and create solution and service network with international competitiveness. Shanghai aims at a total sales revenue of RMB 210 billion for software industry in 2013.

Next–generation network (NGN)
- Strengthen indigenous innovation, promote pilot application in government and telecom operators, and guide the value chain to the NGN. Establish capabilities to cover main frame, terminals, business platform and content services and the NGN value chain with core IP and international competitiveness. Unity and approach the international level.

Internet of Vehicles (IOV)
- Take the advantage of electronic information industry of the city, achieve breakthroughs in core technologies, promote value chain for IOV, and establish an open–end architecture for service platform; promote projects of model applications, accelerate the standardization of technology and protocols, and strengthen the city’s leading position and competitive edge in China’s IOV development.

Information service
- Improve international competitiveness in online game and online literature, be the center of domestic information services, and promote the development of network VOD, digital publishing, professional information, life information, and other supporting services.

Integrated circuit (IC)
- Encourage foreign investment (including from Taiwan) to assembly business, establish assembly capabilities parallel to the city’s chip industry and promote their interactive development; support the development of IC production equipment and materials, and achieve breakthroughs in their industrialization and commercialization. The sales revenue of the city’s IC industry is expected to reach RMB 85 billion in 2013; IC design capability continues to lead the country and approach the international level.

Key projects in information security
- Establish basic emergency platform for network and information security, information security test & certification platform (phase III), and universal network trust system (phase II).
- Establish Internet security screening system, and network security surveillance system, implement protection, redundant backup and system expansion of government’s external network as well as protection and disaster backup of government’s internal network.
- Promote technology R&D, industrial development and improved services.
2.3 E-business

Shanghai’s transaction of B2C and C2C has been increasing rapidly since 2011, achieving over 10% for two consecutive years.

<table>
<thead>
<tr>
<th></th>
<th>2012 (RMB billion)</th>
<th>2011 (RMB billion)</th>
<th>Growth rate</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total volume</td>
<td>781.5</td>
<td>550.78</td>
<td>41.9%</td>
<td>—</td>
</tr>
<tr>
<td>B2B</td>
<td>671.0</td>
<td>477.51</td>
<td>40.5%</td>
<td>86%</td>
</tr>
<tr>
<td>Online shopping</td>
<td>110.5</td>
<td>73.27</td>
<td>50.8%</td>
<td>14%</td>
</tr>
<tr>
<td>(B2C/C2C)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online product</td>
<td>65.8</td>
<td>27.51</td>
<td>139.2%</td>
<td>—</td>
</tr>
<tr>
<td>shopping</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Main characteristics on e-business development in 2012

- **Healthy development of e-business**
  - Take the lead in developing all types of new e-business for life services
  - The city has upscale B2B e-business platform, B2C e-business website and e-payment companies

- **Advantage of B2B transactions**
  - B2B transactions totaled RMB 671 billion last year, accounting for 85.9% of the total e-business of the city
  - B2B of iron & steel market was the highlight of e-business and its transaction volume accounts for over 80% of China’s iron & steel B2B

- **Leader in e-payment**
  - 53 companies have acquired non-financial-institute payment service licenses, accounting for 1/4 of China
  - The payment volume under the national e-business statistics & surveillance exceeded RMB 1 trillion in 2012, leading the whole country

- **Obvious concentration effect**
  - Establish 2 national e-business model bases and 6 city-level model parks
  - Support 8 national model e-business companies and 24 city-level model companies

- **Continuous innovation in business model**
  - The extensive application of cloud computing, Internet, and next-generation mobile communication stimulates new business models

- **Environment for the development of E-business optimized**
  - Be the first in China to establish full-range e-business statistics, making the data, scope, and circle more accurately reflect the status quo of e-business
  - Training and attraction of e-business talents has been strengthened. 15 universities or colleagues have established e-business programs

The trend of e-business in Shanghai
2.4 Strategic emerging industries

758.09
The industrial output of strategic emerging industries totaled RMB 758.09 billion

362.88
Sales revenue of software and information services totaled RMB 362.88 billion

1,121
The GDP of strategic emerging industry throughout 2012 totaled RMB 1,121 billion

A number of innovative achievements have been realized in strategic emerging industries

◆ Soft opening of Shanghai Cloud Computing Demo Center  
◆ The first local regulation in China on online game – “Regulations on Online Game Services”  
◆ Complete NGB update in suburban districts to cover 3.8–million users and complete digital TV conversion to cover 2.9–million subscribers  
◆ Shanghai has taken the research project of motor and inverter for high–power electricity–driven compressor  
◆ “Ocean Oil 981” built by Waigaoqiao Shipyard, the 3,000–meter semi submarine drilling platform, has been put into operation in South China Sea  
◆ Union of online credit service companies, the first of its kind in China, has been established  
◆ R&D of C919 passenger jet has been launched  
◆ R&D of CJ–1000A jet engine is moving forward smoothly  
◆ SAIC has started batch production of Roewe 550 plug–in hybrid cars and began to produce and sell Roewe E50 electric cars
Significant progress has been achieved in promoting strategic emerging industries.

**Promotion mechanism**
- Establish the city’s promotion team for the development of strategic emerging industries with 18 city authorities.
- Improve the priority work and contact list of the city’s Commission of Economy and Informatization.

**Key project**
- Focus on key areas of strategic emerging industries and adopt selective strategies for appropriate trade-offs.
- Launch the implementation plan for new functional material, high-end software, energy saving, environmental protection, and marine engineering.

**Comprehensive support**
- Launch the "Shanghai Strategic Emerging Industry Service Website".
- Carry out generalization and assessment of high-tech industrialization bases in Shanghai.
- Carry out the assessment and awarding of model units and model person for high-tech industrialization and compile the book of "Talent and Development—Model Cases of High-tech Industrialization".

**Policy breakthrough**
- Compile and issue master plans such as "12th Five Year Plan for Ship and Marine Engineering & Equipment Industry in Shanghai".
- Enable policy incentives to software designers.
- Implement policy incentives to private purchase of new energy vehicles.

**Market connection**
- Promote business connection between LED companies with public health and education sector.
- Promote interaction between laser display and 3D display companies.
- Support combined capability of research, training and industry.

**Platform establishment**
- State Smart Grid Client-side Product (System) Quality Inspection Center will soon be certified by the State Administration of Quality Inspection.
- Phase I of East China Institute of Telecom Research has been completed and began to offer public inspection services.
- Three design platforms have been finalized including chips for MEMS sensors.
- Establish product test and inspection center based on Shanghai Institute of Metering Technology.

**Pilot application**
- Complete two city-level IOT pilot applications: architecture energy saving project of transportation terminal in Hongqiao and Migrant Population Station of Changning District.
- Accelerate the pilot application of second-generation super-conductive cable by Shanghai Cable Research Center.
- Shanghai has acquired national policy incentives to private purchase of new energy vehicles.
2.5 Tourism

I. Facts and figures

In the recent decade, Shanghai endeavored to be a world famous tourist city, catered to the needs of both tourists and citizens, accelerated the integration and upgrade of tourist services, constructed key tourist projects and locations, strengthened administration and regulation of tourist market, sustain the healthy development of tourism.

![Image](Chenghuang_Temple,_one_of_the_most_famous_tourist_attractionss_in_Shanghai)

**Figures of Shanghai’s Tourism in 2012**

- **251** 251–million domestic tourists
- **8.004** 8.004–million foreign travelers
- **365.055** Tourist income totaled RMB 365.055 billion

In 2012, Shanghai received 251–million domestic tourists and 8.004–million foreign travelers. The aggregate tourist income totaled RMB 365.055 billion, 13.0% higher than 2011. The added value was RMB 147.97 billion, accounting for 12.4% of the total service sector and 7.5% of Shanghai’s GDP.

**Number of hotels and travel agencies in 2012**

- **278** 278 star–rated hotels
- **1,183** 1,183 travel agencies

Shanghai’s hotel and catering business has been growing rapidly. Up to the end of 2012, Shanghai has 278 star–rated hotels including 55 five–star hotels, 66 four–star hotels, and 157 three–star hotel or below. Shanghai has 1,183 travel agencies including 197 Class A agencies, 8 of them are 5A, 39 are 4A and 150 are 3A.
II. Planning and zoning

Shanghai will achieve a world famous tourist city with unique attractiveness, beautiful landscape, convenient transportation, sound services, diversified options, and dynamic tourist industry and form the structure of "one circle, four areas, three belts and one island".

One circle refers to "Central circle for metropolitan tourism"

Four areas refer to exhibition, conference, and theme park area in the east, waterside leisure and entertainment area in the west, village vacation and coastal entertainment area in the south, and ecological leisure and industrial experience area in the north.

Three belts refer to Huangpu Riverside belt, Suzhou Creek belt, and Hangzhou Bay Tourist Belt.

One island is Chongming International Ecological Tourist Island.

For this, Shanghai will strive to build world premier tourist locations with strong attractiveness, and reputation, offer unprecedented shopping experiences with convenient payment, cozy environment, and wide selection of domestic and foreign brands, make the ultimate destination for business meetings and exhibitions with good infrastructure, service and brand names, create innovative culture and sport festivals, and make the city the best choice for vacation with beautiful landscape, rich cultural heritage, and unique attractiveness as well as the a convenient location for international travelers with well connected transportation.
III. Opportunities for tourist investment

In the "12th Five Year" period, tourist industry in Shanghai hits the new milestone and is faced with better environmental, conditions and opportunities.

1. Opportunities from national strategy

In 2009, the State Council issued the "Opinion of the State Council on Accelerating the Development of Tourist Industry" [Gao Fa No.2009–41], which defines the tourist industry as a strategic pillar industry in the national economy and a modern service industry catering to people’s needs. The opinion has set the tourist industry as services to the general public and enabled detailed policy guidance, which will significantly influence the development of tourist industry.

2. Opportunities from the upgrade tourist demand

In the "12th Five Year" period, Chinese economy and people’s dispensable income will continue to grow steadily. This will bring more demand and, thus, tremendous opportunities for travelling to both domestic and international destinations.

3. Opportunities from Shanghai’s "four center" initiatives

The international financial center initiative will create a good environment for tourist financing; international shipping center initiative will create favorable conditions for cruising economy and cruising business, International trade center initiative and the construction of "Great Hongqiao" Business District will offer good business environment for tourist development as well.

4. Opportunities from integration of the Yangtze River Delta

As a number of key transportation projects such as Hongqiao transportation terminal, Beijing–Shanghai high-speed railway, Changqij Bridge of Chongming Island, and Wusongkou Cruising Port are complete, the Yangtze River Delta will be unprecedented integrated, which will significantly facilitate travelling in Shanghai and create new inter–city travelling business.

5. Opportunities from IT and low–carbon application

Tourist data center and information services will be established based on advanced information technology. The development of online service, promotion, booking and payment will significantly improve the efficiency and modernization of tourist industry. As a green industry, tourism will promote low–carbon life, and reduce energy consumption. It will follow the mega trend of low–carbon economy and is a must in the low–carbon time.
IV. Advantage of supporting services

In recent years, Shanghai has stepped up the regulation and standardization of the tourist industry, train tourist talents, establish public tourist infrastructure, and improve public tourist services.

Improve public tourist infrastructure

Shanghai has established three hotlines and five websites for tourist services. Three tourist hotlines are 12301, 962020, and touch screens at each star-rated hotel. Five websites are Official Shanghai Travel Website, Shanghai Travel Micro Blog, Shanghai Tourist HR Website, Shanghai Travel Service Website, and Shanghai Tourist Exhibition and Conference Website. In 2012, the new terminal station for Shanghai Travel Service Center was put into use and Jiading terminal station was built. The city has 45 tourist information desks. The public tourist services have been strengthened from single function of providing tourist information to comprehensive services.

Train tourist talents

In recent years, Shanghai has strengthened tourist training for professional services, tourist guides, and tourist management, established pre-work training, on-work training, and rotation training, and applied tourist test and certification system. Based on key tourist companies such as Jinjiang, Ctrip, and Spring Tour, pilot projects of talent trainings have been carried out; "Oriental Forum – Shanghai Tourist Forum" and "Shanghai Travel Classroom" have been established based on existing resources from education and the society; Special training programs have been dedicated to responsible persons of tourist restaurants and agencies to improve overall service qualities; Continue to improve the overall quality of tourist guides with National Tourist Guide Certificate and Rating, Annual Inspection & Test, and Tourist Guide Competition; Actively organize training programs for cruising business, exhibition & conference services, industrial tours, and historical tours and strengthen the training for professional tourist talents.

Improve the standardization of tourist services

Up to 2011, 13 local regulations have been enforced and the "Service Quality Requirement on Sightseeing Ships" has been adopted as national standard. The pilot project of tourist service standardization is moving forward. Xuhui District, Jinjiang Group and Spring Tour have completed pilot test of standardization. Baoshan District, Ctrip, and Shanghai Wild Zoo were the second group for the pilot test of tourist service standardization in 2012.
V. Policy support

To promote tourist development, the city government has offered many policy incentives, mainly "government subsidies and funds", "financial service policies", "tourist land policy", and "other incentives".

Government subsidies and funds

City government has dedicated special funds to promote tourist development, tourist reputation, public infrastructure, and priority tourist festivals.

Financial service policies

To key tourist projects and tourist companies with resource advantage and market potential as well as SMEs for supporting services, banks will offer priority credit services. Financial services such as loan for tourist M&A will also be encouraged.

Tourist land policy

New project, rebuild, and expansion of key tourist projects that need to adjust master plan of land and water can submit application according this policy. Land and coastal development will provide spaces to tourist services. Land for public tourist infrastructure will be supplied via direct offering. Agricultural tourist infrastructure and facility will have priority access to land. Tourist projects will enjoy other land policies including trade–off and balance between arable land and city land.

Other incentives

Support key tourist projects, tourist festivals, and innovative tourist services. Offer awards by city or county government to individuals and units who have significant contributions to the development of tourist industry.
2.6 International trade center initiative

In the beginning of this century, Shanghai proposed to be an international economic, financial, trade and shipping center and took the international trade initiative as the pre-requisite and foundation for international economic, financial and shipping center. In 2009, after the State Council has issued the "Opinion on Developing Modern Services and Advanced Manufacturing and Implementing International Financial Center Initiative and International Trade Center Initiative in Shanghai", Shanghai has been moving rapidly towards an international trade center. The city has issued the "Opinion on Accelerating the Implementation of International Trade Center Initiative in Shanghai", the "12th Five Year Plan of Shanghai International Trade Center Initiative", and the "Regulation on Implementing Shanghai International Trade Center Initiative". An international trade center has taken shape.

Guiding principles of Shanghai’s International Trade Center Initiative

Centered on the strategic goal of achieving "four centers" in 2020, the city will strategize on scientific outlook on development and innovation-driven and transformational development, move forward with the International Trade Center Initiative, promote Shanghai’s economic restructuring, change the growth pattern, and offer solid support to being an international economic, financial and shipping center.

- Support open market, simplify market access procedures, and attract domestic and foreign traders
- Enhance trade facilitation, promote free flow of production elements, and improve trade efficiency
- Build modern market system based on element market and consumer market and strengthen the role of the market in leveraging and balancing domestic and foreign resources as well as its guidance to production and consumption.

Development goals of Shanghai’s International Trade Center Initiative

To be a truly international trade center with capabilities that are able to leverage and balance domestic and foreign resources, attract all traders, involve well-developed modern services, serve the Yangtze River Delta, Yangtze River valley, and the whole China and compatible with China’s economic capability in 2020. Basic framework and functions of an international trade center will be realized in 2015.

Establish the general structure featuring mutual supports of “four centers”, integration of domestic and foreign trading, and parallel development of commodity trade and service trade (including technology trade).

Create the operation mechanism that supports open and facilitated market and free flow of capital, products, information, technology and talents.

Form the market structure featuring co-existence of tangible and intangible market, connection between international and domestic market, parallel growth of factor market and consumer market, concentration of production factors, active participation of traders, effective protection of intellectual property, sound credibility system, and highly standardized trading.

Establish the functions of port cargo hub, bulk commodity trading and pricing, trade operation & control, international exhibition and procurement, domestic trading hub, and international shopping center.

Create the trading environment with good trading & IT infrastructure, service capability, sound legal environment, efficient and transparent government administration, safe social environment, and comfortable living environment.
The development of Shanghai International Trade Center Initiative

According to the "12" Five Year Plan of Shanghai International Trade Center Initiative", Shanghai will move five market systems forward, namely commodity market, consumer market, market for trade in services, e-business market, and market for professional services. Significant progress will be achieved in key projects, platform establishment and systemic innovation.

1. A number of function projects have achieved breakthrough progress

The construction of national exhibition and conference project—China Fair Exhibition & Conference Center has been launched and will be completed in 2014. The new center will add 500,000 m² of exhibition spaces, break the development bottleneck of the exhibition industry in Shanghai, and contribute to the city as an international exhibition and conference center.

Jointly sponsored by Ministry of Commerce, Ministry of Science and Technology, State Administration of Intellectual Property and Shanghai City Government, Shanghai International Technology Exchange Center has been officially inaugurated and hosted the first China (Shanghai) International Technology Trade Fair in May 2013.

2. A number of trade and investment platforms have been established

Waigaoqiao International Trade Park has established over 10 import platforms fro automobile, watch & clock, drug distribution, wine, and machinery. China (Shanghai) Online International Trade Platform has been launched. Shanghai International Design and Trade Center, Shanghai International Technical Standard Service Center and other public platforms are also in operation.
3. Market systems are fruitful
Shanghai has been appointed as national comprehensive reform area for modern services. It focuses on Pudong New District, Hongqiao Business District, and Huangpu Riverside Belt and carries out pilot reforms in co-distribution, modern business & trading services, public platform for international trade. Shanghai will take the advantage of VAT reform, and promote the development of trade in services and other trade–relevant services. The city will grow modern logistics services, enhance cross-region logistics cooperation, and establish public logistics service platforms such as Shanghai Ground Transportation Exchange. Vehicle lifecycle system will cover new vehicle sales, second hand trading and vehicle recycle. The city will also support the recycle system for renewable resources, and promote energy saving and environmental protection as well as sustainable economy.

4. Domestic consumer market is booming
Consumption has become the No.1 driver of Shanghai’s economic development. A diversified network of retail outlets has been structured. 12 premier shopping locations including West Nanjing Road, Huaíhai Road, and Xujiahui have been the main vehicle to accommodate retail–wholesale integration, leading companies and brand names. The rapid development of retail in suburban districts based on the construction of new satellite cities and towns will be new engines to boost Shanghai’s commerce.

5. Trade services have served as a good foundation to safeguard people’s life.
Shanghai has established supply connections with 129 vegetable plantations, invested over 8,600 hectares of green leave plantations, and secured Hulin Region as the biggest source of rice supply.
Up to the end of 2012, the city has build or rebuild 850 food market, and construct basic infrastructure such as low-temperature warehouse and cool chain to improve its market supply and stabilization capabilities.
6. Continue to open new sectors and market access

Shanghai is moving forward the cross-border RMB settlement and has expanded the test scope of foreign exchange management for international trading. New milestone has been achieved in offshore RMB investment and the first foreign-invested financial leasing company using offshore RMB has been approved. More and more multinational corporations have located their China or Asia-Pacific headquarters in Shanghai and the concentration of RHQs significantly increases the city’s influence.

7. Trade and investment environment is improving

The city aims at "highest administrative efficiency, highest administrative transparency, and lowest administrative charges", and continues to improve trade and investment environment. Shanghai strives to facilitate trade, reform customs clearance and risk management & inspection of import & export companies, and realize "one-stop for two approvals". Online foreign investment approval system has been launched, which has cut the approval time down to 5 days. Continue to delegate foreign investment approval rights and carry out pilot test of parallel approval and standardized approval. The city has issued policies and regulations to protect intellectual properties, implement campaigns against IP infringement and counterfeits, and improve long-term mechanism for IP protection.
Roadmap for Shanghai International Trade Center Initiative

In the future, Shanghai will move forward ten trade and investment promotion platforms to substantially improve the service function and international capability of Shanghai International Trade Center Initiative of the city.

1. Construct national exhibition and conference platform to improve the performance of exhibition and conference industry

Shanghai will tailor policy incentives to exhibition and conference industries based on national exhibition and conference project, and introduce exhibitions and fairs with international competitiveness. The city will continue to improve national exhibition brands such as China International Industry Fair, China (Shanghai) Sourcing Fair, and East China Fair, and specialize spaces for long-term exhibitions like Shanghai Mart. The city will also support import & export exhibitions and international specialized exhibitions to increase China’s position and influence in the world exhibition and conference community and make Shanghai an international exhibition and conference center.

2. Build international trade and overseas sales promotion platform and roll out network for global trading

The city will promote national product design and trade promotion center, attract global design resources, and bring more added value to domestic brand names and export products. Establish nation-wide product hubs in Pudong’s "three ports" and "three zones", Hongqiao Business District, Pentagon World Trade Mall, Changfeng Ecological Park, and Shanghai Mart, create country-specific and province/city specific product center and set up trading platforms of consumer products and industrial raw materials for the Yangtze River Delta. Establish a national import & export platform for auto component and traditional Chinese medicine. Take the advantage of export processing zones, improve national cross-border procurement, and establish a nation-wide trading platform for sales and promotion in the international market. Extend overseas sales network and trade and investment services to main business cities in the world.
3. Establish China Technology Import and Export Promotion Platform to accelerate the development of trade in services

Improve China (Shanghai) International Technology Trade Fair, promote technology import & export, trading consulting, technology demonstration, IP trading and industrialization, and launch online trading platform and regular exhibition of foreign advanced technologies and equipments. Upgrade the quality of Global IT Outsourcing Summit, improve the platform of Shanghai International Culture Trade and Service Platform at Waigaoqiao, establish model area for test reform of trade in services, and improve statistics for trade in services. The city will strive to be a national model city for service outsourcing, and create a good environment for service outsourcing based on the principle of "growing high–end service, taking offshore outsourcing, improving functions, concentrating headquarters, and cross–region cooperation".

4. Establish e–business platform and strive to be a model national e–business city

A number of e–business parks will be created based on specialized trade and business zones, which constitute a platform to allocate global resources. Encourage e–business and innovation cluster and concentration of innovative e–business companies, promote technology, product, and application innovation of e–business, and create the online vehicle for Shanghai International Trade Center. Encourage upscale retailers and wholesalers to establish online sales and establish online service platform for procurement, warehousing, demonstration, distribution and sales. Support online sales of old brands in Shanghai whose shops are located in Nanjing Road, Huaihai Road, and Sichuan Road and create specialized online shopping experiences. Support e–business application of small and medium sized retailers and wholesalers.
5. Establish bulk commodity trading platform and enhance market price identification

Strengthen the futures market for production means and wholesale market that serve the whole country, and establish bulk commodity pricing and trading center. Increase the service capability and influence of competitive bulk commodity trading market to adjacent regions, and strive to create specialized trading platform in 5 to 10 year for iron & steel, automotive, chemical, non-ferrous metal, gold & jewelry, arts & crafts, fashion, and medical equipments. Support tax – bonded trading and create tax – bonded demonstration and trading platform for high – tech product import and export at Waigaoqiao Free Trade Zone. Offer and improve market prosperity index, price index and risk index as barometer for market supply and demand.

6. Encourage the concentration of services to dedicated platform and develop trade–related services

Promote the concentration of services to designated areas and combination of headquarters and services, develop office buildings, and create a complete range of trade–related high–quality professional services. Streamline government approval procedures for professional services, actively test services or projects that do not subject to special regulations, apply commitment or filing procedures to replace pre approval with after – establishment supervision, and carry out pilot tests of certain services in Pudong New Districts. Attract leading high–end professional service companies, and strongly support local professional service providers. Carry out pilot test of new policies, and expand foreign investment in services such as brokerage, culture, education, health care, and trading. Research functions of special customs surveillance areas, and explore innovative reform of services in these special areas.
7. Establish shopping and consumption platform and make the city as "shopper’s paradise"

Clearly demonstrate the trade and business advantage of various districts, build Shanghai’s business culture, and cultivate booming and prosperous metropolitan retailis. Continue to improve hallmark commercial centers and streets, build commercial and business centers in satellite towns, and improve community retailis. Promote the growth of both product and service consumption, and increase the share of consumption by people out of the city. Explore the possibility of "Duty–free Shops". Implement strategy of trade mark, standardization, and business integrity and protect IP protection. Create more Famous Brands of Shanghai and Chinese Famous Brands, increase the number of trade marks per million people, cultivate a number of Shanghai brands and products that can compete with international brands, and protect and improve old brand names. Encourage companies to participate in the establishment of domestic and international product standards and management criteria and follow these standards, build national standard and test center, enhance food safety and supervision system, and carry out extensive business integrity training and practices. Extensively apply information technology, preservation technology, cool chain technology, energy saving technology, logistics technology, Internet, and Internet of Things to trade and commerce.

9. Establish international platform for finance information and promote the development finance information services

Build all-in-one terminals for multiple media, trade and financial database, and multiple language information, create around-clock service platform to connect authoritative and comprehensive Chinese finance information with global market, and make the city hub for international trade and financial information. Encourage finance media to launch typical database and index to cover all Chinese bulk commodity markets and specialized markets, and create the most comprehensive finance news and information platform with global influence. Integrate resources, and support commercial and financial information providers with international competitiveness. Establish accurate financial statistics platform, and connect it with database of security, futures, foreign exchange, gold and diamond exchanges. Organize Hongqiao International Trade Forums and team up think tank for Shanghai International Trade Center Initiative.

8. Establish universal platform for domestic and foreign trade and improve competitiveness of traders

Support super–scale trade companies that are capable of integrating value chains, integrated operations of retail and wholesale for both domestic and foreign market, and co–development of online and offline sales network. Involve retailers and trading companies, explore solutions to remove hurdles of profitability, payment, and risk management between domestic trading and international trading, develop business models with international competitiveness. Grow Shanghai–based multinational trading companies, and promote "Go Global" of all traders. Sort out trade–related laws and regulations and promote consolidated development of domestic trade and foreign trade.

10. Encourage the concentration of international traders to dedicated platform and form the trade hub

Continue to attract and concentrate domestic and foreign traders, add new business to the Headquarter Economy, and improve the influence of trade to other business and hub for other activities. Attract and encourage first–class trade promotion organizations to concentrate in designated areas. Research and issue dedicated policies and introduce global practices in terms of asset purchase, taxation, and immigration services.
2.7 International financial center initiative

Shanghai International financial center initiative is China’s most important strategy for reform and modernization, and the most important approach for Shanghai to change development trajectory and move towards a truly international metropolis. In early 2012, agreed by the State Council, National Development and Reform Commission officially announced "Master Plan for Shanghai International Financial Center in the 12th Five Year Period" (The Plan). The Plan defines comprehensively the principles, goals, and tasks of Shanghai International Financial Center Initiative and is another milestone government document after the "Opinion on Developing Modern Services and Advanced Manufacturing and Implementing International Financial Center Initiative and International Trade Center Initiative in Shanghai" [Guofa No.2009–19] of the State Council in 2009. In 2012, Shanghai took the advantage of the Plan, aggressively explored possibilities and innovations, and accelerated the implementation of the international financial center initiative. Foreign investment in the financial sector continues to expand and the city’s financial industry is more international.
2.7.1 Foreign investment in Shanghai’s financial industry

Up to the end of 2012, there were 1,227 financial institutions in Shanghai. The number of foreign financial institutions has been growing for years. The city has become the location for foreign legal–person banks, foreign legal–person insurance companies, security joint ventures and joint venture funds.

![Graph showing the number of foreign financial institutions in 2012.](image)

Foreign financial institutions have brought global financial concepts, talents and products, boosted the transformational development of Shanghai’s financial services, and offer financial services with both global standards and local adaptations. Meanwhile, they have shared tremendous business opportunities from China’s reform and economic progress and achieved outstanding performance.
1. Development of foreign banks

Up to the end of 2012, banks from 27 countries or regions established business in Shanghai, including 22 foreign legal-person banks, 77 branches (including branches of its Chinese legal-person entity), 101 sub branches and 84 representative offices.

General trend in the development of foreign banks

(1) Scale is expanding

Up to the end of 2012, the aggregate assets of foreign legal-person banks in Shanghai totaled RMB 1.62 trillion, 6.03% higher than 2011 and 120% higher than 2007. In 2012, 52% of China’s foreign legal-person banks and 68% of their assets were located in Shanghai. They hired 78% of total employees.

Regional breakdown of total assets

Number of foreign legal-person banks

Number of employees of foreign legal-person banks
In terms of assets: 5 foreign legal–person banks have assets of over RMB 100 billion. They are HSBC, BEA, Standard & Chartered, Citibank and Bank of Tokyo–Mitsubishi UFJ. Assets of foreign legal–person banks in Shanghai account for 12% of total assets of banks in Shanghai, significantly higher than the national average of 2%.

<table>
<thead>
<tr>
<th>Top foreign legal person banks</th>
<th>Assets over RMB 100 billion</th>
<th>Service network</th>
</tr>
</thead>
<tbody>
<tr>
<td>HSBC</td>
<td>✓</td>
<td>✓ (118 branches)</td>
</tr>
<tr>
<td>BEA</td>
<td>✓</td>
<td>✓ (105 branches)</td>
</tr>
<tr>
<td>Standard &amp; Chartered</td>
<td>✓</td>
<td>✓ (100 branches)</td>
</tr>
<tr>
<td>Citibank</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Bank of Tokyo–Mitsubishi UFJ</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

(2) Performance is improving
Up to the end of 2012, aggregate balance of deposits and loans totaled RMB 1.11 trillion and 734.1 billion, 6.65% and 6.92% higher than 2011 respectively and 228% and 80.3% higher than 2007 respectively when the sector began to open for foreign banks. Bad debts were 0.34%, much lower than the national average of 1.56%.

Deposits and loans of foreign legal–person banks in Shanghai up to the end of 2012

1.11  Balance of deposits is RMB 1.11 trillion
228%  Balance of deposit is 228% higher than 2007
734.1  Balance of loans 734.1 billion
80.3%  Balance of loans is 80.3% higher than 2007

(3) RMB business is growing rapidly
After foreign banks set up legal entities, they have been actively growing RMB business and attracting local corporate and individual accounts. Up to the end of 2012, 41% accounts of foreign legal–person banks in Shanghai were local and 73% business of foreign legal–person banks in Shanghai was RMB business. They have been more localized to serve the Chinese economic development.
(4) Proactively serve the tangible economy

- Foreign banks are specialized in trade finance, wealth management, foreign exchange trading, and derivative business, and can introduce mature services and advanced risk management. For example, ANZ actively participates in RMB gold forward sales of China Gold Exchange and Standard & Chartered offers tailored financial services. They have been awarded Shanghai Best Financial Innovation Silver and Bronze respectively in 2011.

- Based on international network and business diversification, foreign banks are instrumental to expanding cross-border use of RMB. For example, in 2012, the cross-border transaction of RMB of HSBC totaled 76.6 billion, 230% higher than the previous year. On July 12, 2013, HSBC completed the first RMB payment with simplified procedure, st Financial Innovation Silver and Bronze respectively in 2011.

- Up to the end of 2012, foreign legal-person bank’s loans to small and micro companies in Shanghai totaled RMB 129.6 billion, accounting for 20% of total corporate loans. 3 branches from foreign legal-person banks are dedicated to small and micro companies. Standard & Chartered has issued 5–billion financial bonds for loans to small and micro companies, the first foreign legal-person bank to be approved to issue such bonds in China.
2. Development of foreign security companies

(1) Security company

There are 13 security joint ventures in China and 6 of them are registered in Shanghai. They are Everbright Securities, BOC International, CF CLSA, Daiwa SSC, Morgan Stanley Huaxin and Citibank Orient. Meanwhile, foreign security companies set up 59 representative offices in Shanghai.

The list of Shanghai securities joint venture

<table>
<thead>
<tr>
<th>Company name</th>
<th>Established in</th>
<th>Registered capital (RMB)</th>
<th>Foreign shareholder</th>
<th>Percentage of shares owned by foreign shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Everbright Securities</td>
<td>1996</td>
<td>3.418 billion</td>
<td>China Everbright Ltd</td>
<td>33.3</td>
</tr>
<tr>
<td>BOC International</td>
<td>2002</td>
<td>1.5 billion</td>
<td>BOC International Holdings</td>
<td>49</td>
</tr>
<tr>
<td>CF CLSA</td>
<td>2003</td>
<td>500 million</td>
<td>CLSA ECM Ltd</td>
<td>33.3</td>
</tr>
<tr>
<td>Daiwa SSC</td>
<td>2004</td>
<td>500 million</td>
<td>Daiwa Securities</td>
<td>33.3</td>
</tr>
<tr>
<td>Morgan Stanley Huaxin</td>
<td>2011</td>
<td>1.02 billion</td>
<td>Morgan Stanley Asia Ltd</td>
<td>33.3</td>
</tr>
<tr>
<td>Citibank Orient</td>
<td>2012</td>
<td>800 million</td>
<td>Citigroup Global Markets Asia Ltd</td>
<td>33.3</td>
</tr>
</tbody>
</table>

* Source: China Security Regulatory Commission
In recent years, joint venture security companies have accumulated experiences, extended services and achieved new progress.

- Everbright Securities and BOC International participated in the pilot test of agreed repurchase security trading. Everbright Securities has been approved to carry out buy back bond guarantee business, and pilot test of “consumption payment of client’s capital”.

- Morgan Stanley Huaxin Securities Co., Ltd has completed many re-financing and underwriting business as the lead underwriter in 2012, and achieved sales revenue of RMB 200 million. Daiwa SSC was the lead underwriter for 2 IPO projects in growth enterprise market, and ranking No.3 among JV securities in terms of income from underwriting.

- The brand reputation, overseas clients, sales network of the foreign shareholder has played a positive role in winning key upscale projects. For example, with the recommendation and promotion of Citi Group, Citi Orient was able to be the lead underwriter of corporate bond of a top-scale Chinese SOE. Citi Orient has cooperated with Citibank China, recommended over 100 companies to each other, and carried out short-term financing business.

- All companies have been very active in training future talents and developing projects in the pipeline. For example, CF CLSA actively develops re-financing projects for listed companies and Morgan Stanley and Citi Orient accumulated many names in their talent pools.

(2) Fund management companies
Shanghai is the domestic center for fund management companies. Up to the end of 2012, Shanghai has 37 fund management companies, accounting for 48% of China. Their assets totaled RMB 910.8 billion, accounting for 31.8% of China. There were 24 JV fund management companies, 2 companies more than 2011. 64.9% of fund management companies in Shanghai are joint ventures and they accounted for 56% of JV fund management companies in China.

(3) Futures Company
Up to the end of 2012, 3 futures companies have been approved with foreign investment. CITIC Newedge Futures Co., Ltd is located in Shanghai with registered capital of RMB 200 million and 42% of shares held by foreign shareholders. It has acquired membership in Shanghai Futures Exchange, Dalian Commodity Exchange, and Zhengzhou Commodity Exchange as well as China Financial Futures Exchange.

Number of fund management companies and volume of public offerings in 2012

<table>
<thead>
<tr>
<th>Region/city</th>
<th>Net value of managed assets (RMB billion)</th>
<th>Percentage (%)</th>
<th>Number of company</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shanghai</td>
<td>910.8</td>
<td>31.8</td>
<td>37</td>
<td>48</td>
</tr>
<tr>
<td>Beijing</td>
<td>836.2</td>
<td>29.2</td>
<td>15</td>
<td>19</td>
</tr>
<tr>
<td>Shenzhen</td>
<td>773.1</td>
<td>27.0</td>
<td>19</td>
<td>25</td>
</tr>
<tr>
<td>Others</td>
<td>346.3</td>
<td>12.0</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>2866.4</td>
<td>100</td>
<td>77</td>
<td>100</td>
</tr>
</tbody>
</table>

* Source: CSRC Shanghai Bureau, Galaxy Security & Fund Research Center
3. Development of foreign insurance companies

Foreign insurance companies have brought new business concepts and international talents into Shanghai’s insurance market and been an important part of it.

- Foreign investment in insurance industry was growing steadily in 2012. Up to the end of 2012, there have been 21 foreign legal-person insurance companies and 16 sub companies, 1 and 2 companies more than 2011 respectively.

- According to statistics from China Insurance information System, the premium income of foreign insurance companies in Shanghai totaled RMB 11.011 billion in 2012, 6.78% higher than the previous year and taking up 13.42% of the market share. Premium from property insurance totaled RMB 1.857 billion and its market share was 2.26%. Premium from life insurance totaled RMB 9.154 billion and its market share was 11.15%. 6.83% of property insurance companies and 16.68% of life insurance companies were foreign-invested.

- As RMB becomes more international, offshore RMB center has taken shape in Hong Kong and reinsurance business for cross-border RMB has appeared. Since August 2012, China Life Reinsurance has launched the reinsurance business for cross-border RMB in Shanghai and the transaction volume was RMB 1.3 billion in the same year. From 2013, as RMB deposits and insurance business grow in Taiwan, Taiwan will be a new and prospective market for cross-border RMB reinsurance.

### Premium income of foreign insurance companies in Shanghai in 2012

<table>
<thead>
<tr>
<th>Type</th>
<th>Premium income (RMB billion)</th>
<th>Percentage as of Chinese market (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign insurance companies</td>
<td>11.011</td>
<td>13.42</td>
</tr>
<tr>
<td>Foreign property insurance</td>
<td>1.857</td>
<td>2.26</td>
</tr>
<tr>
<td>Foreign life insurance</td>
<td>9.154</td>
<td>11.15</td>
</tr>
</tbody>
</table>
4. Development and opening of the financial market

The transaction volume of financial market in Shanghai totaled RMB 528 trillion in 2012, 26.3% higher than the previous year. Shanghai Stock Exchange ranks world No.4 in terms of trading volume and world No.7 in terms of total share values. Shanghai Futures Exchange has been one of three global pricing centers for non-ferrous metals. Shanghai Gold Exchange ranked world No.1 in terms of gold spot trading. Shanghai Equity Exchange was launched in February 2012, and 48 companies were listed to the end of the year, which contributes to the diversity of the capital market in Shanghai.

**Figures about the financial market in Shanghai in 2012**

- **528**: Transaction volume of financial market in Shanghai totaled RMB 528 trillion
- **No.4**: Shanghai Stock Exchange ranks No.4 in terms of trading volume
- **No.7**: Shanghai Stock Exchange ranks No.7 in terms of total share values
- **No.1**: Shanghai Gold Exchange ranked world No.1 in terms of gold spot trading
- **48**: 48 companies have been listed in Shanghai Equity Exchange

The transaction volume of cross-border RMB totaled 500 billion in 2012, an increase of 50%. Offshore RMB is flowing back to domestic market. Up to the end of 2012, over 100 institutions including foreign central banks, international financial institutions, sovereign wealth fund, designated Hong Kong and Macao RMB banks, foreign banks that involve RMB business, foreign insurance companies, and RMB QFII have been approved with access to inter-bank bond market.

In 2012, Shanghai Foreign Exchange Center successfully launched the direct trading of RMB to Japanese Yen, Foreign Exchange Forward Curve, and SHIBOR IRS Curve. Shanghai Stock Exchange has successfully launched H-share ETF—Hengseng Chinese Company ETF by E-fund Management. Shanghai Stock Exchange, Shenzhen Stock Exchange and Hong Kong Exchange have established joint venture—China Exchange Services Co., Ltd and Hong Kong Stock Exchange has established HKEx Information Services Limited. Shanghai Futures Exchange and Hong Kong Exchange have signed Memorandum of Understanding and agreed on the framework of promoting cooperation and information exchange.
2.7.2 Prospect for foreign investment in the financial market of Shanghai

1. The goal of Shanghai international financial center initiative in the "12th Five Year" period

According to the "12th Five Year Plan for Shanghai International Financial Center Initiative", Shanghai will aim at the world-class financial center, expand extensively its financial services, improve financial innovations, strengthen international reputation and global influence of Shanghai’s financial market, and become the global center for RMB innovation, trading, exchange, and clearance. The details can be generalized as "five systems, eight centers and one district".

Five systems

— Establish a multi-level financial market with participation of domestic and international investors and strong trading, pricing, and information services
— Concentrate financial institutions in the city for co-development and innovative services
— Improve modern financial infrastructure and optimize its structure, function, and efficiency
— Attract financial talents for diversified expertise to support the industry
— Enforce laws and regulations of taxation, accounting, credibility and surveillance required by international financial center

Eight centers and one district

The city will strengthen eight functions including RMB cross-border investment, benchmark price for RMB products, pricing for bulk commodities, financial information services, RMB product innovations, RMB asset management, financial services for shipping and trading and RMB cross-border clearance as well as establishing talent pool for international financial talents.
2. Short-term priorities for the development of foreign investment in the financial sector

**Continue to improve financial markets**

- Improve functions of the financial market, promote the opening of the financial market, and attract foreign institutions to trade in Shanghai’s financial market. Establish market benchmarks and research trading between RMB and other mainstream or emerging currencies.

**Continue concentrate foreign financial institutions and their business**

- Encourage foreign shareholders to security companies and futures companies and increase capital intensity of foreign investment. Promote the extension of business scope with resources and experiences of foreign shareholders.

**Continue to strengthen international cooperation**

- Improve cooperation between Shanghai, and other locations such as Hong Kong and Macao and support Shanghai–Taiwan cooperation. Enhance dialogs with foreign governments, financial authorities, multinational financial institutions via various international cooperative mechanisms and forums, improve Shanghai’s reputation as the most open financial city in China, and increase the city’s international influence.

Shanghai will take the advantage of Shanghai’s Pilot Free Trade Zone and cross-border use of RMB, prioritize the improvement of financial markets, carry out pilot test and new policies, improve business environment, comply with development rules, strengthen innovations, and promote the development of foreign investment in the financial sector and Shanghai international financial center initiative.
2.8 International shipping center initiative

After the State Council decided to implement Shanghai international shipping center initiative based on Shanghai and flanked by Jiangsu and Zhejiang Province in 1996, Shanghai international shipping center initiative has achieved tremendous progress with the great efforts of national ministries, and government of Shanghai, Zhejiang Province, and Jiangsu Province as well as all supporters and partners. There have been breakthroughs in shipping infrastructure, relay capabilities, port throughput, ground transportation, and airport construction. Shipping industry has been strengthened and prioritized. The port throughput has been world No.1 for 9 consecutive years since 2005. In 2009, the State Council issued the "Opinion on Developing Modern Services and Advanced Manufacturing and Implementing International Financial Center Initiative and International Trade Center Initiative in Shanghai" [Guofa No.2009–19] and clearly defined the goals and tasks of Shanghai international shipping center initiative. The focus has been shifted from infrastructure development to capacity building and service improvement.

### Basic information about seaports in Shanghai in 2012

<table>
<thead>
<tr>
<th>Name</th>
<th>total</th>
<th>Public quay</th>
<th>Special quay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of ports</td>
<td>258</td>
<td>24</td>
<td>234</td>
</tr>
<tr>
<td>Total length (km)</td>
<td>123</td>
<td>29</td>
<td>94</td>
</tr>
<tr>
<td>Length for production activities (km)</td>
<td>74</td>
<td>27</td>
<td>48</td>
</tr>
<tr>
<td>Number of berths</td>
<td>1183</td>
<td>176</td>
<td>1007</td>
</tr>
<tr>
<td>Berths for production activities (km)</td>
<td>612</td>
<td>140</td>
<td>472</td>
</tr>
<tr>
<td>Cargo throughput (million tons)</td>
<td>503</td>
<td>235</td>
<td>268</td>
</tr>
<tr>
<td>Container throughput (million TEUs)</td>
<td>20.02</td>
<td>19.76</td>
<td>0.26</td>
</tr>
</tbody>
</table>
1. Infrastructure for Shanghai international shipping center has been optimized.

Shanghai has four open waters including Yangshan Deep-water port, Huangpu River belt, Yangtze River Shanghai section, and north bank of Hangzhou Bay. There have been 258 seaports of 1,183 berths. Shanghai has lines connecting all major ports in the world and become No. 1 port in terms of container lines, ship intensity, and network coverage. In 2012, the cargo throughput of Shanghai port totaled 736 million tons and container throughput reached 32.53 million TEUs. Both are world No.1.

**Figures of Pudong and Hongqiao airport in 2012**

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>596700</td>
<td>596,700 landings and takeoffs</td>
</tr>
<tr>
<td>78.7</td>
<td>78.7 million passengers</td>
</tr>
<tr>
<td>3.37</td>
<td>3.37 million tons of cargos</td>
</tr>
</tbody>
</table>

There are 5 runways, 4 terminals, 4 cargo zones, 2 cargo transfer centers and an airport tax-bonded zone in Pudong and Hongqiao Airport. The combined capacity of two airports is 80–million passengers and 4.7 million tons of cargo each year. In 2012, the two airports completed 596,700 landings and takeoffs and shipped 78.7–million passengers and 3.37 million tons of cargos, making the city one of the hubs for air transportation. Up to the end of 2012, Pudong International Airport has flights operated by 87 domestic and foreign airlines and connected to 203 foreign airports.

**Figures of Shanghai cruising port in 2012**

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>180</td>
<td>180 dockings of international cruisers</td>
</tr>
<tr>
<td>350000</td>
<td>350,000 cruising passengers</td>
</tr>
</tbody>
</table>

Shanghai has "two quays and one backup" to dock cruisers. Two quays are Shanghai International Cruising Terminal and Shanghai Wusongkou International Cruising Terminal (total 6 berths). Waigaoqiao Port Phase IV has portable facilities that can offer temporary or emergency docking of cruisers. Carnival, Royal Caribbean, and Star Cruise, world top three in cruising business, have established business. Shanghai has received 180 dockings of international cruisers and 350 thousand passengers in 2012.
What Concerns Foreign Investors

2. The development of shipping industry has been accelerated

Global top 20 liners have established sub companies or offices in Shanghai. Shanghai-based China Shipping and COSCO have made their way to the world top 10. Over 250 foreign-invested companies are involved in sea transportation and supporting services. The world biggest 9 classification societies have set up representative offices in Shanghai. According to statistics, Shanghai has already 1,500 international shipping companies, shipping agencies, ship management companies, and non-vessel operating carriers as well as 7,000 freight forwarding agencies. The city has established companies and institutions such as shipping brokerage, ship trading, shipping exchange, arbitration of marine affairs, insurance & assessment, research center since 2009, which helps to improve the shipping services.

3. Development environment for Shanghai international shipping center has been improved

**Industrial bases**

Shanghai has established Shanghai Comprehensive Tax-bonded Zone (including Waigaoqiao Free Trade Zone, Yangshan Deep-water Tax-bonded Zone, and Pudong Airport Tax-bonded Zone) with sound infrastructure, good business environment, and favorable policy incentives and North Bond, Lujiazui and Lingang areas for the concentration of shipping services. Four logistics bases have also been dedicated including Yangshan Deep-water Logistics Park, Waigaoqiao Logistics Park, Pudong Airport Logistics Park, and West-north Comprehensive Logistics Park.

**Open policy**

Shanghai shipping services are open for foreign investment. Foreign cruisers can be docked at multiple ports if it is specially approved.

**Policy innovation**

The State Council has clearly instructed Shanghai to establish Test zone for international shipping development and China (Shanghai) Pilot Free Trade Zone, research innovative policy incentives with regard to developed countries/regions, and improve the international competitiveness of Chinese shipping companies. State Administration of Tourism has approved “China Cruising & Tourist Development Pilot Zone” to test innovative policies for the development of cruising business.

Number of companies for international water transportation services in 2012

<table>
<thead>
<tr>
<th>Type of business</th>
<th>Number of 2012</th>
<th>Number of 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>International shipping</td>
<td>65</td>
<td>62</td>
</tr>
<tr>
<td>International shipping agency</td>
<td>142</td>
<td>136</td>
</tr>
<tr>
<td>International ship management</td>
<td>79</td>
<td>79</td>
</tr>
<tr>
<td>Non-vessel operating carrier</td>
<td>1140</td>
<td>1003</td>
</tr>
<tr>
<td>Total</td>
<td>1427</td>
<td>1281</td>
</tr>
</tbody>
</table>

**Port environment**

“Shanghai Port Service Rules” was officially enforced on March 1, 2012. Pudong airport has been the first one in China to cancel immigration procedures for transfer passengers within 24 hours. Paperless reform of customs clearance has been launched, covering seaports like Wusong, Waigaoqiao and Yangshan.

**Tax reform**

Shanghai implemented pilot VAT reform since January 2012 and the scope covers transportation services and other modern services. Tax payers registered in Yangshan Deep-water Tax-bonded Zone can enjoy immediate refund of VAT to international cargo shipping services, warehousing services, and loading/unloading services.
4. Future development strategy of Shanghai international shipping center initiative

The State Council has clearly defined the goal of Shanghai international shipping center initiative—to achieve "four realizations" in 2020:

Realize concentration of shipping resources, complete shipping services, good environment for shipping industry, efficient modern logistics services, and capability of leveraging global shipping resources;

Realize the structure centered around Shanghai, flanked by Jiangsu and Zhejiang Province, and assisted by the Yangtze River Valley and interactive development and cooperation with other domestic ports;

Realize top-scale, integrated, efficient, and optimized system for modern cargo transportation, strive to be an international hub for air transportation, and achieve consolidation of multiple transportations;

Realize high quality and full-function modern shipping services, create a convenient, efficient, safe and regulated port environment and modern shipping service environment, strengthen consolidation of international shipping resources and improve competitiveness and service capability.

"Four realizations" in 2020

- Capability of leveraging global shipping resources
- Interactive development and cooperation with other domestic ports
- Modern cargo transportation system and international hub for air transportation
- High quality and full-function modern shipping services
2.9 China (Shanghai) International Technology Fair

China (Shanghai) International Technology Fair (CSITF) is an international and comprehensive fair approved by the State Council and jointly sponsored by Ministry of Commerce, Ministry of Science and Technology, State Intellectual Property Office, and Shanghai Municipal People’s Government.

Introduction of the first CSITF
The first CSITF took place at ShanghaiMart and Intex Shanghai from May 8 to 11, 2013. It demonstrated in various ways the theme of “innovation – driven development, IP protection, and technology trading promotion”, attracted many domestic and foreign high-tech exhibitors as well as professional visitors, and has been recognized by the technology communities.

Project matching
3000  3,000 technological demonstrations
460   460 technologies listed on the China Technology Exchange Platform
181   181 project-technology matching and 18 agreements signed
165   tentative agreements on 165 technologies
65    65 panel discussions

Professional visitors
30850  Exhibition space of 30,850 m²
35     938 exhibitors from 35 countries/regions
32025  32,025 visitors from 40 countries/regions
91%    91% are professional visitors

Media promotion
76     76 foreign media
258    258 domestic and foreign journalists
3270   3,270 original reports
543000+ 543 thousand online reprints
276    276 TV reports
The second China (Shanghai) International Technology Fair
April 24 to 26, 2014 Shanghai World Expo Exhibition & Convention Center
(No.1099, Guozhan Road, Pudong New District, Shanghai)

It is a dedicated international fair for technology trading. It has created a platform for capacity demonstration, project matching and financing services for domestic and foreign technology suppliers and buyers via technological demonstration, trading services, and forums.

### Organizers

| Ministry of Commerce of the People’s Republic of China |
| Ministry of Science and Technology of the People’s Republic of China |
| State Intellectual Property Office of the People’s Republic of China |
| Shanghai Municipal People’s Government |

### Supporters

| UNIDO |
| UNDP |
| WIPO |

### Executors

- Shanghai International Technology Promotion Center
- Shanghai Eastbest International Service Trade(Group) Co, Ltd
2.10 Six key development areas

2.10.1 Hongqiao Business District

Hongqiao Business District has implemented the strategy of the CPC Shanghai Committee and Shanghai Municipal Government, aims at shaping its core business district by the end of the "12th Five Year" period, fulfill all tasks with full efforts, and moves toward "better reputation, function, and performance".

I. Move construction and development forward for planned functions

Significant progress in land auction

Up to the first half of 2013, auction procedures have been completed for 22 pieces of lands with a total floor space of 4.89 million m², leading other districts in terms of land auctions.

Success in attracting developers

Against national control on real estate, Hongqiao Business District has taken a number of measures to attract leading development companies including Shenzhen Vanke, Chongqing Sincere, Guangzhou R&F Properties, Hong Kong King Wai, Long Shi Investment, and Beijing Macrolink.

Project construction in progress

Construction has been launched for all 10 projects of the first phase in the core district and the construction of Vanke and Sincere projects in the north section have been launched as well. Up to the first half of 2013, the approved investment totaled RMB 53.4 billion. Project 06 and Project 08 have been topped out and the new energy center project has entered the stage of equipment commissioning.

Well planned investment attraction

A number of consulting and investment promotion activities have been organized. Customer identification and network has been established and the soft opening of corporate service center is in good progress. Tax-bonded approaches and business models have been decided and agreed by relevant authorities.

Highlight low-carbon and energy saving to achieve green development

Hongqiao Business District is an important low-carbon district approved by the city government in the "12th Five Year" period. All architectures in phase one of the core district should meet a minimum of 2-star Green Building and 50% achieve 3-star. For now, over ten buildings have acquired "3-star Green Building Design Label". The four parks will occupy a total of 56 hectares with investment of RMB 1.59 billion. Hongqiao Business District has applied for the certification of "Green Eco-city" to national government and will be the biggest of its kind when its core district is completed.
Establish special funds for development
RMB 2 billion has been committed to supporting function and business development in the core district from both city and local finance. Based on the fund, a number of policy incentives for HQ economy, modern services, low-carbon Hongqiao, and Smart Community have been enabled to enhance the capital support to the functional improvement, business development, policy support, and investment environment.

II. Strengthen coordination and comprehensive management
➢ Operation of transportation terminal is successful and orderly
Management of Hongqiao transportation terminal has been improved and traffic facilities and sign boards have been optimized. One-stop sales for air–rail and rail–ground tickets are successfully launched. Air–rail tickets are especially favored by the market and remote check-in has been initiated in the Hub.

➢ Location-based coordination and management is effective
"Keeping it green, clean, and safe, and clear traffic" is the target for location-based coordination and management. Authorities of different districts work together to efficiently ensure streets are clean and safe and traffic is clear.

III. Sustain favorable development environment for the whole districts
Currently, Hongqiao Business District prioritizes the construction of its core district as well as other key projects. Great efforts have been taken to move the work forward and achieve new progress. The whole area is well coordinated with clear focuses, a favorable momentum for good development.

- China Fair Center Project
After the construction of its main architecture was launched in February 2013, the project has been moving forward rapidly and engineering auctions are in good progress. It is expected that main steel structure of the center will be completed in April 2014 and part of pavilions will have soft opening in June. China International Industry Fair will be moved into the new center in November 2014.

- Comprehensive reconstruction of eastern district
Preparation work have been finalized including detailed functional planning, land swap plans, infrastructure & utility plans, and capital balance plans. The reconstruction will officially start in the second half of this year. The reconstruction of Hongqiao Terminal One is well prepared and will be launched in Q3.

- New Hongqiao International Medical Center
Phase one has been fully occupied and framework agreements of 8 key medical projects have been signed. The earliest project, medical training center project, will break the ground in July this year and some projects will be put into operation in 2015.

- West Hongqiao district
New progress has been achieved in infrastructure & utility construction, land reserve and land auction. The land to the south of China Fair Center has been successfully sold at the price of RMB 4.72 billion.
2.10.2 World Expo Area

After the China Shanghai World Expo 2010 dropped its curtain, the development of World Expo area has attracted extensive attentions home and abroad. CPC Shanghai Committee and the city government highlight the strategy of "first-class planning with full integration of quality, speed and functions" and "function first, environment first, and people first". The World Expo area, after it is completed, will contribute significantly to Shanghai’s "innovation-driven and transformational development", "four pioneer realizations" and "four-center initiatives" and become a new landmark of Shanghai’s modernization.

I. Location advantage

World Expo area is located along the bank of Huangpu River and right in the center of the city. With a total land of 5.28 km², it has convenient traffic consisting of 5 metros, 2 bridges and 3 tunnels as well as excellent infrastructures and utilities. Houtan park, World Expo park, and Bai Lian Jin Park form a permanent green belt and add extra points to its ecological environment.
II. Development strategy

The construction of World Expo Area considers a number of elements including public activities, sustainability, open spaces, and international exchange and aims at a landmark district in the 21st century for creative culture; headquarter offices, premium exhibitions, leisure & entertainment, and ecological residency. It is expected to be a paradise for global or regional corporate headquarters, international culture exchanges, creative culture services, and tourist, exhibitions & conferences.

III. Master plan of the area

| 5 sections | Puxi                       | World-class and best-in-China expo and culture center |
|           |                           | Creative districts that integrate design, demonstration, and experiences |
|           | Pudong                    | Efficient administrative center, dynamic premium offices, excellent resident communities and ecological waterfront spaces |
| 1 belt    |                           | Business district for headquarters of renowned companies |
|           |                           | Extended districts of World Expo Section C – reserved space for sustainable development in the future |
|           | Waterfront green belt consisting of riverside green land and public facilities |
IV. Development plans

According to the development plans, the basic structure will take shape in the "12th Five Year" period. Section B will be developed and master plan of Section A was finalized in 2012 and will start project tendering in the first half of 2013. Part of Section C will be constructed and the planning of Houtan Extended Section will be initiated in the first half of 2013 as well. Retrofitting and new projects in the City Best Practice Area are in good progress and its northern streets and southern streets will be available to the public before the end of 2013. Part of the World Expo Village and Culture Expo Section will be developed.

V. Progress of key projects

1. Project in Section A

Section A of the World Expo is a peninsular–like section flanked uniquely with water. It covers 97 hectares and will be an important part for exhibitions and offices. It is planned to be a location for corporate headquarters and premium business buildings.

2. SOE headquarters in Section B

Section B will be dedicated to SOE headquarters. 13 SOEs will construct 28 well–designed and low–carbon buildings on block B02 and block B03, which will feature high–density, but low–height and compact layout for people–orientated business neighborhood. There will be 600,000 m² of above–ground spaces and 400,000 m² of underground spaces on 18.72 hectares of land. Two new roads will be planned and built and the whole section will be separated into 6 blocks with public green patches and sunken plaza as well as energy center.

3. World Expo hotels

World Expo hotels project is located between World Expo Center and World Expo Exhibition & Convention Center (the previous World Expo Theme Pavilion) and to the east of SOE headquarters section. With a total footprint of 47,900 m², the project is invested by Shanghai World Expo Development Group and designed by world leading architecture firm – John Portsman Associates Inc. It will offer rooms, catering and business services to conferences, exhibitions, performances, and corporate headquarters in the World Expo area.
4. Projects in City Best Practice Section
The City Best Practice Section demonstrated state-of-the-art development and management concept of cities during the World Expo 2010 and 18 buildings in this section remains after the expo. The section consists of two neighborhoods, south and north. The total planned floor space is 250,000 m² on 15.08 hectares of land and 110,000 m² are existing buildings. There will be one shop-office building in each neighborhood with a total floor space of 105,000 m².

5. Reconstruction project of World Expo Axis
As one of the permanent structures (One Axis and four pavilions) of the World Expo, World Expo Axis is the biggest single structure in the expo. According to the master plan of World Expo reconstruction, the reconstruction will keep the structure and functions of the World Expo Axis and re-engineer the spaces into a shopping mall. The whole structure will be separated from north to south theme section, trend section, fashion section, and life section, extending premium business & entertainment services to community services.
2.10.3 Shanghai International Tourism and Resorts Zone

I. Location
Shanghai International Tourism and Resorts Zone is located to the southeast of Outer Ring Road (S20) and on the crossing of the axis of Pudong New District and central industrial belt. The planned area is 20.6 km². It stretches to S1 Road in the north, Huadong Road in the east, Zhoudeng Road in the south, and 1,000 meters west of S2 Road. According to the "12th Five Year Plan on Shanghai’s Social and Economic Development", Shanghai International Tourism and Resorts Zone will be an important location in Shanghai.

II. Function positioning
In accordance with relevant national and Shanghai municipal industry development strategies, Shanghai International Tourism and Resorts Zone will center around Shanghai Disneyland project, focus on nurturing and developing such industries as theme entertainment, tourism, leisure, culture, innovation, conference, exhibitions, retailing, and sports as well as recreation, and integrate the interactive development of surrounding tourism resources to establish an international tourism and resorts zone with high capacity and strong influence.

III. Industrial development
Shanghai International Tourism and Resorts Zone will take the advantage of spillover from Disneyland project and introduce emerging and integrated business as well as low-carbon and upscale projects into it, including 1 core industries (tourism and entertainment), 7 extended industries and 6 supporting services.
# IV. Main advantages

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Remarks</th>
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<tbody>
<tr>
<td>Core projects attract popularity and business opportunities</td>
<td>Shanghai Disneyland is the biggest joint venture project in the service sector since China’s reform and opening up. It is the first one in the mainland China and the 6th theme park of Disney.</td>
</tr>
<tr>
<td>Location and traffic advantages</td>
<td>Located in the central area of Pudong New District with a number of express roads and metro lines. Convenient access from major cities in the Yangtze River Delta via highway network and convenient access from neighboring countries and regions via air and sea transportation.</td>
</tr>
<tr>
<td>Huge development potentials</td>
<td>Located in the center of Pudong’s “4+3” key development areas (4 refers to Lujiazui Financial &amp; Trade zone, Shanghai Comprehensive Tax-bonded Zone, Zhangjiang High-tech Park, and Jinqiao Export Processing Zone; “3” refers to Shanghai World Expo Area, Shanghai International Tourism and Resorts Zone, and Lingang Industrial Zone). The surrounding areas will develop relevant industries according to the planning of the tourism and resorts zone and form a service-based economic structure.</td>
</tr>
<tr>
<td>Strong policy incentives</td>
<td>Substantial support to tenant companies in terms of infrastructure, HR, and mechanism and companies can enjoy all national policy incentives and relevant supporting policies of the city and of Pudong New District</td>
</tr>
<tr>
<td>Efficient government services</td>
<td>Administrative Committee is authorized to offer efficient approval procedures and services as well as accommodating investment environment and first-class public services</td>
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2.10.4 Lingang Area

Developing Lingang Area is an important strategy of CPC Shanghai Committee and the city government for "four pioneer realizations" and "four-center initiatives" as well as strengthening the city’s international competitiveness. Lingang Area is one of the six functional areas in Shanghai’s "12th Five Year" Plan and an important part of Pudong’s "4+3" economic layout as well as an important vehicle for second round of Pudong’s reform and opening. In 2012, CPC Shanghai Committee and the city government strategized on the great vision and decided to implement special mechanisms and policies (hereafter as "double specials") . Lingang Administrative Committee, thus, has enabled 30 special policies.

Lingang Area is located on the southeast corner of Shanghai and between Yangtze River Mouth and Hangzhou Bay. To the north is Pudong International Airport and to the south is Yangshan International Port that has 13 kilometers of coastal line and unique port resources. Lingang Area has advantageous access to marine, air, railway, ground and river transportation. Lingang Area has a planned land of 315 km², consisting of 6 sections namely equipment manufacturing section, logistics section, main industrial section, comprehensive section, Lingang Fengxian section, and Nanhui New Satellite City.

Since its launch in 2003 and under the leadership of CPC Shanghai Committee and the city government, Lingang Area has moved forward project construction, improved infrastructure, and achieved phenomenal progress. Up to now, there has been a total fix asset investment of RMB 116 billion and over 200 industrial projects. The average growth rate of industrial output and tax revenue reached 45% and 30% respectively. A "6+1" industrial structure of energy equipment, automotive assembly & components, key ship components, marine engineering, engineering machines, civil aviation, and strategic emerging industries has taken shape.
For now, Lingang has become the biggest production base for state-of-the-art and full range of new energy equipment and diesel engines for vessels, the biggest production base for largest excavators, and the most advanced production base for precision machine tools. A significant number of renowned companies and logistics service providers such as CSSC, CIMC, COMAC, AVIC, SEC, SAIC, Caterpillar, Siemens, Volvo, COSCO, China Shipping, Maersk, DHL, and UPS have entered the Lingang Area.

City services have been improved. Over 800,000 m² of office buildings and 1,300,000 m² of residences have been built together with a number of facilities including China Maritime Museum, Five-star Crown Plaza DSH, and NGS Shopping Center. Public service projects such as Shanghai High School (East Campus), No. 6 People’s Hospital, Shanghai Maritime University, and Shanghai Ocean University have been located in Lingang. Economic housing projects and "rent-and-sale" apartment have been constructed with primary & high schools, kindergartens, food markets, supermarkets, banks and hotels. The area has become more attractive and suitable for living.
II. CPC Shanghai Committee and the city government have approved to establish special mechanisms and policies in Lingang Area.

CPC Shanghai Committee launched the priority research of "Establishing special mechanism and policies in Lingang Area", which proposed 8 special mechanisms and 24 special policies based on the strategy of "Attracting high-end industries, attract innovative talents and entrepreneurs, and strengthen integration of industries with the city". It has been a strategic measure for Shanghai’s innovation-driven and transformational development and fast-track growth of Lingang Area.

<table>
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<tr>
<th>8 special mechanisms</th>
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<tr>
<td>Consolidated management for on-site settlement</td>
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<td>City and district support via retaining tax</td>
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<tr>
<td>Lower cost of industrial land and flexible land auction</td>
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<tr>
<td>Rotated revision of master plans and strengthened integration of industries with the city</td>
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<tr>
<td>Complimentary and diversified development mechanism</td>
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<tr>
<td>Resident environment and infrastructure comes first</td>
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<tr>
<td>Support innovation and entrepreneurship and attract entrepreneurs</td>
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<tr>
<td>Government department lead the initiatives to achieve organization concentration</td>
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III. Highlights of 30 policies in Lingang Area

- **Grow concentrated development of industries**
  - Based on capital support from the city and Pudong District, Lingang Administrative Committee will seek other funding to support 7 types of projects including strategic emerging industries. In terms of financial support, a RMB 1–billion state–asset–based seed fund has been established to attract social capital of RMB 10 billion for various industrial funds in Lingang. In terms of incentives to corporation contributions, new contributions of key companies will be used for their further development.

- **Attract all types of talents**
  - Based on existing national, city and district reward to high-end talents, additional reward equivalent to the city will be granted. Householder registration or resident permit can be directly applied for talents and technicians who are hired by key organizations. Contributions of high–end talents and senior managers of corporate headquarters to the district will be used to reward them. Talents in key primary education and medical institutions will be granted monthly allowances. Companies or organizations qualified for apartments and eldercare services can buy public rent apartments and their employees can buy "specially restricted" houses.

- **Effectively control aggregate costs**
  - Flexible auction has been implemented to industrial land transfer and land transfer with master plan can be adopted to certain industrial projects, upscale infrastructure projects, and key functional projects. In terms of green land balance, Lingang Area applies overall balance instead of individual plot to reduce development costs and ensure land cost advantages in Shanghai.

- **Improve comprehensive services and functional facilities**
  - Attract Headquarter Economy, plan business districts, encourage companies to establish regional headquarters in Lingang Area, and support the development of living service providers and retail services. Improve public transportation and offer premium living services. Open green channel for schooling of kids and health care services to high–end talents and support national and city–level culture and sport activities in Lingang Area.
IV. Blueprint of development

As "double specials" policies implemented, Lingang Area is on the fast track of development. According to the general instruction of Pudong New District to Lingang, RMB 100 billion of investment in fixed assets must be achieved in 2015. With regard to this target, Lingang Administrative Committee will aim at "Attracting high–end industries, attract innovative talents and entrepreneurs, and strengthen integration of industries with the city", accelerates the concentration of industries, supporting services and human resources, and make Lingang Area a leading region for R&D, innovation, high–end manufacturing and strategic emerging industries, a paradise for quality services, dynamism, and entrepreneurs, and a model area for sound infrastructure, convenient residency, diversified services and life–work integration.

To achieve the above goals, the primary work for Lingang Area in the next three years will be to focus on one priority and complete ten tasks. Focus on high–end industries, introduce a number of key projects from advanced manufacturing and strategic emerging industries, ensure investment of RMB 45 billion in fixed assets within three years, and create a number of billion–dollar industrial clusters. Meanwhile, ten tasks should be fulfilled with full efforts:

- Accelerate the development of 5–km² pioneer test area
- Accelerate the development of 3–km² maritime high–tech industrial base
- Launch the construction of Beizhan Business District
- Improve city functions and services
- Complete the recovery of 10–km² arable land in Dongtan
- Accelerate the construction of 500,000–m² Lingang Software Park
- Accelerate the construction of deep–water fishing dock at Lachao gang Port
- Plan the operation of tram trains
- Accelerate the construction of supporting projects including specially restricted apartments
- Accelerate the construction of cross–region infrastructure projects and build south–north road network

The above ten tasks demonstrate a roadmap that move things forward from south to north and from east to west. They cover many aspects including section development, functional improvement, arable land recovery, infrastructure construction and their total investment in fixed assets will exceed RMB 60 billion, providing a solid foundation for the future development of Lingang Area.
2.10.5 Qiantan Area

I. Geographic location of Qiantan

World Expo 2010 has brought new vitality to Shanghai. As the biggest piece of undeveloped land within the middle ring road of Shanghai, Qiantan is the new focus and powerhouse for the city’s vibrant development. Soon a smart city of the best ecological environment will emerge. As another world-class business district of Shanghai in the future, Qiantan together with Lujiazui will serve as dual core to drive Shanghai’s growth.

Qiantan Area (SE4 Section of Huangpu River) is located south to the Houtan extended section and Yaohua section, between West Huaxia Road and Chuanyang River, and east to the Jiyang Road. It sits opposite to the Binjiang Section of Xuhui District across the Huangpu River. Qiantan Area has a total land of 2.83 km² and 2.3 kilometers of waterfront. The area has good ecological environment as it sits beside the mother river of Shanghai. For now, a 0.35-km² Oriental Sport Center has been built in the area.
II. Functional positioning

As one of Shanghai’s six key functional areas, “Qiantan International Business District” will have a total planned floor space of 3.5 million m² and aims at a sub city center of headquarter business, culture & media and sports & leisure. Meanwhile, it will develop hotel and shopping services as well as supporting services including community services, professional services, education & training, and leisure & entertainment.

In the next 10 years, Qiantan will adopt the best concept of development, quality, differentiation and professional services, be a model area for “space—efficient, vertical, and low–carbon city” , and become a new landmark of a modern city.
III. Infrastructure development in Qiantan Area

Roads and utilities
Qiantan have planned 29 new roads and phase one will build 18 roads, including sewage pipes, water, electricity, gas, and telecom cables. Phase one will be complete in August 2013, connect existing roads around Oriental Sports Center and provides solid infrastructure for the development of Qiantan Area.

Xiaohuangpu Creek Reconstruction Project
The 1.54-km Xiaohuangpu Creek starts from its mouth to the Huangpu River and ends at West Huaxia Road of the Middle Ring Road. The Reconstruction will combine flood prevention, waterfront landscape and entertainment and contribute to the ecological landscape of the Qiantan Area. The project is scheduled to complete in March 2014.

Qiantan Avenue and Green Land Project
Qiantan Riverside Landscape Project has a planned area of 600,000 m², including three parks namely International Friendship Park, Binjiang Green & Leisure Park, and Citizen’s Sport Park. It also includes structures such as Binjiang Avenue, bridges, flood dikes, and waterfront platforms and the total investment amounts to RMB 3 billion.

IV. Developer
Qiantan will be developed by Shanghai Binjiang International Tourism & Resorts Development Co., Ltd, a subsidiary of Lujiazui Group. Lujiazui Group was incorporated in 1990 when Pudong began to reform and open up and is the developer of Lujiazui Financial and Trade Zone, contributing significantly to Shanghai’s international financial center initiative. After two decades of development, Lujiazui Group has become a holding group covering land development, commercial properties, industrial financing, exhibitions & conventions, tourism & resorts business. Its commercial properties include city hubs, upscale shopping malls, premium office buildings, international resident communities, and R&D buildings.

V. Development and prospects
Currently, the construction of main functional projects in Qiantan Area has been launched. Majority of infrastructures will be completed within 2013 and over 1 million m² of projects will break ground in the first half of 2014.
In the next 10 years, a new city center will emerge in Qiantan Area with three core sections: Culture & Media Center, Corporate Headquarter & Business District, and Binjiang International Resident Community.
2.10.6 Riverside development of Huangpu River

I. General introduction
Xuhui riverside development includes 6 sections namely West Bank Culture Corridor, West Bank Media Hub, East China Civil Aviation Service Center, Comprehensive Neighborhood, comprehensive re-development of Longhua area, and West Bank Tax–bonded Port for Art Works. The development will adopt the concept of environment & landscape first, and public space first to improve the cultural dynamism and charisma and attract related service providers. It is committed to a culture & media hub, and first-class commercial and business district as well as a vibrant location of the city.

II. West Bank Culture Corridor
Xuhui Binjiang Area has 8.4km of river bank and is the birth place of Shanghai culture and modern culture industries as well as the convergence of oriental and occidental cultures. There are rich historical heritages, strong education capabilities, and many famous figures. The interaction of diversified cultures and art trends has made it a unique location for culture development and the most visible feature of the Xuhui Binjiang Area. In the blueprint of future Xuhui Binjiang Area, culture will still take the lead in making this "gold belt" along the Huangpu River a platform to demonstrate the charismatic culture of Shanghai - "West Bank Culture Corridor". There will be a number of exhibition pavilions, art museums, and performance centers together with open stages, waterside theaters, Pujiang T–stage, and Star Avenue. Xuhui Binjiang will be a lofty location for cultures and the biggest location for outdoor art exhibitions.
Dragon Modern Art Museum

Dragon Modern Art Museum will sit at the Beipiao Pier and is sponsored by the famous modern art collector Mr. Liu Yiqian. The museum is north to the Huangpu River, south to the Ruining Road, and east to the Longteng Avenue. Its floor space totals 33,007 m², 8,393 m² above ground and 24,614 m² underground. It will exhibit mainly modern art works with souvenir stores, light meals, coffees and parking services.

Oil Tank Performance Center

Oil Tank Performance Center is retrofitted from the old oil tanks of China National Aircraft Fuel together with surrounding structures and landscapes. It will revitalize historical industrial sites into unique public spaces for premium performances. In the future, a culture park will combine the performance center with other facilities including digital media performance center, oil tank theater, outdoor theater, art corner, riverside walkway and restaurants.

Waterfront Theater

Waterfront Theater will be located to the south of Dream Project and is a public facility with small theater, demo room and function rooms. There will be water on both side of the theater, thus making it the most water-adjacent structure in the area.

West Bank Art Museum

Design by David Chipperfield Architecture, West Bank Art Museum will serve as an art exchange and sharing platform via various top art exhibitions and activities. It will offer as many opportunities as possible to the public and young people access to top-level arts.

Yu Deyao Art Museum

Yu Deyao Art Museum will be located at the old hangar of Shanghai Airplane Factory at the crossing of Longteng Avenue and Fenggu Road. It is invested by famous Indonesian Chinese collector Mr. Yu Deyao and his fund with 5,000 m² of exhibition spaces mainly for modern art works.
III. West Bank Media Hub

"West Bank Media Hub" is in the center of Xuhui Binjiang Area, consisting of 9 blocks surrounded by Longteng Avenue, Huangshi Road, Yunjin Road, and Guihuaqi Road. The total land is 18 hectares with planned floor space of 530,000 m² above ground and 400,000 m² underground.

West Bank Media Hub is the first consolidated development project and the first application of combined plans for underground structure, above-ground architectures and green building standards.

West Bank Media Hub takes the "Dream Center" as its flagship and combines TV, movie, media, and digital entertainment together with high-end business and offices. TVB, Hunan TV, Wanda Information, and Tencent will soon move into the hub. Cultural and entertainment facilities, hotels, service apartments, shops and restaurants will be introduced to diversify the services and bring sustainable vitality to this area.
IV. East China Civil Aviation Service Center
East China Civil Aviation Service Center is jointly established by Xuhui District Government and CAAC East China Regional Administration and its responsibility includes flight approval, international flight services, financial leasing and resource allocation. The center is located in the core business district of Binjiang and consists of premium offices, administration buildings, retailing, five-star hotel and the multi-function center.

V. Comprehensive re-development of Longhua Area
Taking the opportunity of constructing Longhua Station for metro line No.11 and No.12, the comprehensive re-development of Longhua Area will comply with the principle of "protecting historical heritage of Longhua Area, integrated development of underground spaces, and parallel development infrastructure". The completion of the re-development will make more efficient use of the land, improve landscape of the area, combine other services with metro lines, and achieve economic restructuring in the area. The re-development is planned to finish in the end of 2016.

VI. West Bank Tax-bonded Port for Art Works
West Bank Tax-bonded Port for Art Works will be dedicated to cross-border exchange of art works and promotion of art work industry and will be the first professional platform for art works in Shanghai. It will introduce art work service providers like Singapore Free Port, attract art work trading, auction, funds, studios and individuals, and open new channel for cross-border art works.

VII. Other important projects

West Bank Financial Tower

Designed by Pritzker Architecture Prize winner Sejima Kazuyo and Nishizawa Ryūe, the tower will be located at the crossing of Longyao Road and Longteng Avenue with planned floor space of 58,000 m².

Yunjin Road open space

Yunjin Road open space sits at the core business district of Xuhui Binjiang Area. It is 1.6 km from south to north and 80 meters wide and covers 13 hectares. Based on the concept of "city trajectory", the open space will call alive memories about Longhua Airport and become the most beautiful avenue and world-class business park.

West Bank Biennial Show

The show will engage three layers of space creation, art production, and forward imagination with physical structures and become the biggest outdoor museum to explore the frontier of international arts and city culture in the new century.

West Bank Music Festival

Shanghai West Bank Music Festival will be a celebration of pop music and domestic and foreign pop stars, demonstrating the charisma of Shanghai culture.
2.11 Caohejing High-tech Park

Shanghai Caohejing High-tech Park was launched in the 1980s, was one of first group of economic development, high-tech and export processing zones approved by the State Council and occupies a total land of 14.28 km². With respect to the national strategy and Shanghai’s “innovation-driven and transformational development”, it has explored various development strategies, improved investment environment, and introduced many high-tech companies and modern services. Up to the end of 2012, the park has over 2,500 tenant companies. There have been over 500 foreign-invested high-tech companies and 78 global 500 companies have established 112 high-tech subsidiaries in the park.

I. Steady growth of the economy

Caohejing High-tech Park achieved sales revenue of RMB 246.9 billion in 2012. Its industrial output, GDP and import & export totaled RMB 106.8 billion, RMB 81 billion and USD 16.1 billion respectively. The park contributes 4.03% of the city’s GDP, 3.85% of the added value of manufacturing sector, 4.19% of the added value of the service sector, and 3.68% of total import & export, but with only 0.227% of the city’s land. Sales revenue per km² in 2012 reached RMB 30.8 billion, leading the whole country in terms of economic performances.

- Sales revenue per km² reached RMB 30.8 billion
- Sales revenue: RMB 246.9 billion; industrial output: RMB 106.8 billion; GDP: RMB 81 billion; and import & export: USD 16.1 billion.
- Contribute 4.03% of the city’s GDP, 3.85% of the added value of manufacturing sector, 4.19% of the added value of the service sector, and 3.68% of total import & export, but with only 0.227% of the city’s land.

Titles
China Model Base for Service Outsourcing
National Model Base for New Technology
Industrialization
National Entrepreneurship Base of Overseas Talents
National Model Area of Ecologically-friendly Industries
National Pilot Area for Intellectual Property Services
II. Universal brand and cross-region development

In recent years, Caoheping High-tech Park has focused on its branding strategy of "standardization" and "go global", explored new approaches in development model, planning, construction, investment attraction, innovation, incubation, and tenant services, and significantly improved its brand equity. New potentials have been acquired via "concept interaction, project matching, brand licensing, and capital cooperation".

The park has taken the advantage of "city–district combination and region–district cooperation", unify brand names, extend to other regions, coordinate various sites, and grow together. It has set up affiliated parks in Pujiang, Songjiang, Lingang, Waigaoqiao, Kangqiao and Nanqiao of Shanghai as well as Haining Site in Zhejiang Province and Yancheng Site in Jiangsu Province. It has extended services out of Shanghai, integrated into the Yangtze River Delta, and shape a structure of "One main park, six affiliated parks, and two sites"

One main park, six affiliated parks, and two sites

III. Improved investment environment

Caoheping High-tech Park insists on "high-end industry and low-carbon development" and has passed ISO9001, 14001 and OHSAS18001. It continues to improve infrastructure for "city's optical network" and "Wireless Caoheping" and realizes "1000M to the building, 100M to the house, and TMB access bandwidth". Caoheping has established cooperation with 18 world famous technology parks and institutions including partnership with British Arlington for "Technology Greenland" project.
IV. Offer "All-round Services"
Caohejing High-tech Park always prioritizes services to the demand of high-tech companies and takes services as its core competency. It embraces the vision of "customer first, seeking excellence, harmonious co-development and interactive growth", focuses on "regional services, entrepreneurship services, and HR services", extends government services to the park, connects government and business via associations, and creates a favorable environment for investments.

V. Premium projects

Technology Greenland
Technology Greenland has a planned office space of 600,000 m². It will adopt international investment, operation and management concept, and become a green, low-density, and garden-like technology district.

Headquarter Block
Headquarter District of Caohejing Modern Service Area is located to the west of Middle Ring Road. The district targets Headquarter Economy and has signed tenant agreement with a number of multinational and local companies.

R&D Plaza
R&D Plaza sits at Yishan Road. With 22 floors of 100,000 m², the plaza consists of Section A and B. Standard space of each floor is 1,550 m² with premium retrofitting and LEED certification. It will be another landmark building in Caohejing.

Technology Hub of Pujiang High-tech Park
Production Service Section (Technology Plaza) of Pujiang High-tech Park is the first premium office buildings along Metro Line No.8. It is only 30 meters away from Pujiang Metro Station, and the portal to the whole Pujiang High-tech Park.
2.12 Shanghai New Hongqiao International Medical Center

I. General introduction
Under the support of the Ministry of Health, Shanghai New Hongqiao International Medical Center has been approved by Shanghai Municipal People’s Government (City Government Planning No.2011–35) to be a modern high-end medical services center. Total planned area of Shanghai New Hongqiao Medical Center is 100 hectares and total planned area of phase one is 42.38 hectares. Shanghai New Hongqiao International Medical Center will develop high-end medical services as its core; combine different kinds of investment as its guidance; explore new medical services models; attract outstanding domestic and international high-end medical institutions, operators and management talents. Shanghai New Hongqiao International Medical Center will strive to be a world’s leading high-end medical services hub for the Yangtze River Delta.

II. Background

Huge demand of high-end medical services
According to surveys, there are 210 thousand expatriates and people from Hong Kong, Macao and Taiwan who live and work in Shanghai and frequent foreign business travelers of over 500 thousand. High-income population of the city, Yangtze River Delta and the whole China has potential demand for premium medical services. According to statistics, the market of high-end medical services is about RMB 11 billion and will grow to 16.5–18.5 billion in 2015 (the market will reach 30 billion if patients from Yangtze River Delta and other parts of China are counted).

Reform of health care system
To innovate health care system and address medical issues such as high cost and limited resources, national government has proposed to separate profitable and non-profitable services, encourage, support and guide social capital into medical services, diversify health care services for different budgets and needs. Shanghai plans to convert special care beds to basic medical services in all class-three public hospitals, encourage social investment in medical services for different budgets and needs, and move Shanghai to an international health care city in Asia in 2015.

III. Characteristics of the center

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<th>Characteristics</th>
<th>Details</th>
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<tr>
<td><strong>Policy advantage</strong></td>
<td>Laws and regulations encourage social investment in medical services and offer a series of policy incentives to market access, approval procedure, tax, HR, equipment, multi-location service of doctors, and medical insurance</td>
</tr>
<tr>
<td><strong>Location advantage</strong></td>
<td>It has convenient access to a number of transportations including international airport, inter-city express, high-speed train, maglev train, city metros, long-distance buses and city transportation</td>
</tr>
<tr>
<td><strong>Industrial advantage</strong></td>
<td>The center is located in Hongqiao Business District, which is a modern service concentration area, international trading platform, concentration area for corporate headquarters, traders, and economic organizations, and serves as a high-end business district for Yangtze River Delta, Yangtze River Valley, and the whole China</td>
</tr>
<tr>
<td><strong>Planning advantage</strong></td>
<td>Advantages of early planning, land reserve, sound infrastructure &amp; utilities, and shared resources and government’ policy supports to project approval, construction and operation</td>
</tr>
</tbody>
</table>
IV. Planning and implementation of medical services

Development goals

Shanghai New Hongqiao International Medical Center will take medical functions as its core and strive to create three "functional sections": high-end medical services section, pilot test section of health care reforms based on ministry – city cooperation, and green & low-carbon practice section. It aims at a world–leading and best-in-Asia comprehensive medical center in terms of medical technology and service quality.

Development concept

Take the principle of "market-based, high-end, international, and resource efficient", combine government guidance with market mechanism, move forward treatment technologies, attract high-end medical resources, introduce premium medical technologies, engage social capital and operate on market basis.

Master plan

Shanghai New Hongqiao International Medical Center consists of two phases. Phase one is 42.38 hectares and will be completed from 2011 to 2016. It will witness the concentration of medical services for Yangtze River Delta and the whole China. Phase two will be constructed from 2016 to 2020 and make it a truly world–leading and best-in-Asia comprehensive medical center.

Development model

**Government leads the development:** closely following China’s health care reform, integrated planning of the center, participation of government funds, attracting social investment, and improving supporting services.

**Systemic innovation:** sharing of medical technologies, cooperation with public hospitals, equity financing, seed funds, high-end clinics, and insurance platform.

Development progress

<table>
<thead>
<tr>
<th>Phase one</th>
<th>Phase two</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to June 2013, phase one has signed framework agreements with Fudan University Pediatric Hospital, Shanghai Hospital, Parkway Health, Hospital Corporation of America, NOALYS, and Vanke Group. The total investment of comprehensive hospitals and specialty hospitals projects has reached RMB 7 billion.</td>
<td>Phase two will occupy 60 hectares for extended medical, pathological, and technical services. Tourist treatment, medical exhibitions, and elderly recovery, medical insurance, R&amp;D, and training services will also be introduced into the center. Meanwhile, the center will develop supporting commercial services to complement the medical supply chain and attract relevant industries such medical devices to the center.</td>
</tr>
</tbody>
</table>

Cooperation areas

To ensure progressive development of Shanghai New Hongqiao International Medical Center, it actively explores innovative financing, partners with domestic and international financing institutions, develops high-end medical services via medical funds and realizes double –win cooperation. Meanwhile, Shanghai New Hongqiao International Medical Center is committed to cooperation with domestic and foreign partners in terms of their specialty services and advantageous departments.
Part Three. Government Policy and Service
3.1 Comprehensive Reform in Pudong New District

◆ Pudong New District is the token of China’s reform and opening up and miniature of Shanghai’s modernization as well as the core functional region for Shanghai’s “four center” initiative.

◆ In the "12th Five Year", Pudong New District is actively moving forward comprehensive reforms, more aware of responsibilities and missions, centered on improving socialist market economy, implementing government, market and social reforms, promoting reform with wider openness, adopting demand–oriented, problem–oriented, and project based approaches, identifying critical breakthroughs, and strengthening efforts to achieve reforms and breakthroughs in key areas. It strives to achieve “breakthrough in Pudong, applicable to Shanghai, replicable to China” in terms of social involvement and democracy in legal environment, diversified culture, and public policy, restriction on administrative power, government’s transparency, social credibility, HR environment, capital mobility, and public services.

Foreign investment in Pudong New District

◆ Pudong’s comprehensive reform has boosted the foreign investment in the district.

◆ Up to the end of 2012, there were over 20,000 foreign–invested projects with total contracted foreign capital of USD 70 billion and paid–in foreign capital of USD 48 billion. 308 global 500 companies have invested 1,023 projects in Pudong.

20000+ Over 20,000 foreign–invested projects

70 +billion Contracted foreign capital exceeds USD 70 billion

48 +billion Paid–in foreign capital exceeds USD 48 billion

Pudong will implement the principles of the 18th Party Congress, comply with decisions and deployment of the city government, seek its position and responsibility in deepening reforms and opening up, play its role in innovation–driven and transformational development, take the change of "second leap", move forward comprehensive reforms with higher standards and greater vision, and offer more experiences in the practices of optimizing government services, expanding reform, attracting talents, and balancing urban and rural development.
3.1.1 Main progress of Pudong’s comprehensive reform in 2012

2012 is the critical year for Shanghai’s innovation-driven and transformational development and the critical year in the third three-year action plan of Pudong’s comprehensive reform. Under the leadership and instruction of CPC Shanghai Committee and the city government, Pudong’s comprehensive reform follows "three musts" of the State Council, strategizes on "three guides", takes the advantage of city–ministry cooperation, focuses on priority tasks, and move forward progressively. The reform has achieved positive progress throughout the year.

Expand openness and improve resource allocation

**Continue to improve the financial market:**
Extensive financial innovations in multiple factor markets became more active and policy environment for new financial institutions was optimized.

**Continue to strengthen high-end shipping services:**
Steadily move forward the pilot zone of international shipping development, develop top-scale, integrated and diversified financial leasing sector, launch test of tax refund upon departure between Qingdao, Wuhu and Yangshan Deep-water Tax-bonded Zone in Shanghai, and test tax-bonded vehicle registration in Shanghai Comprehensive Tax-bonded Zone.

**Expand openness and improve trade facilitation:**
Move forward innovation administrative measures for foreign exchange, make pilot test of international trade settlement as a regular operation, approved to launch pilot test of multinational RHQ’s central management of foreign capital, research detailed procedures for resident company to open offshore foreign exchange accounts, extend the function of bulk commodity markets, create multi-level market system, extend factor markets, and innovate port surveillance approach.

Streamline government functions and innovative administrative approaches

**Improve regional administration:**
Improve government administrations according to the master plan and structural requirement of the “four center” initiative, highlight functional priorities, optimize administrative configuration, and distribute resources to the implementation level. Continue to innovate the administrative practices for new towns and build towns and streets with strong social and economic capabilities.

**Deepen the reform of administrative approvals:**
Shanghai Administration of Industry and Commerce and Pudong Government have jointly issued the "Implementation Opinion on Deepening the Reform of Industrial and Commercial Administration and Promoting Pudong’s Innovation-driven Transformational Development" , and carried out pilot test of converting individual business registration to small and micro company registration. The pilot test of offshore RMB investment has been extended as well.

Achieve breakthrough in attracting human resources and promoting entrepreneurship

**Improve investment and financing for science and technology:**
Establish Pudong state-owned funds for incubation and entrepreneurship, achieve breakthrough in mortgage of intellectual property, strengthen financing and services for technological companies, and optimize business and living environment to talents. Proactively develop pilot zone for international talent and innovation, implement plans for entrusted shareholding in Zhangjiang, establish “Zhangjiang Talent Pool”, and facilitate immigration services for talents.

**Identify policy breakthroughs instrumental to optimization and upgrade of industrial structure:**
Explore efficient and integrated development of land, sector optimization of industrial parks, and create policy incentives to the co-development of industrial regions and non-industrial regions. Continue to reform tax-bonded surveillance to IC industry and surveillance of importing special bio material in Zhangjiang Bio-pharm Park.

Explore new practices in optimizing public services and stimulating social involvement

**Improve balanced and quality development of public services:**
Promote pilot tests in education cooperation between education bureau and towns and joint sponsorship. New progress has been made in education reform and the first legal-person Sino–US joint venture university, Shanghai New York University, has been established. Gradually move forward the reform GP family responsibility and the reform of rural health care payment, and explore new business model for elderly services.

**Improve community management mode of collective decision and development:**
Continue to improve the management structure and mode of township community and strengthen central distribution of public resources.

**Innovate the incubation of social organizations:**
Simplify approval procedures for the establishment of private non–company organizations, integrate social resources based on foundation alliance, strengthen the incubation function of foundations, and further open up social services.
3.1.2 Innovative approaches in attracting foreign investment

Extend sectors open for foreign investment
In 2012, taking the advantage of comprehensive reform, Pudong New District worked together with Shanghai Commission of Commerce and Shanghai Administration of Industry and Commerce and launched "Temporary Regulation on the Establishment of Commercial Factoring Companies in Pudong New District of Shanghai" in December 2012 according to the "Notice on Pilot Test of Commercial Factoring" and the "Reply of Pilot Test Plan of Commercial Factoring". The pilot opening of commercial factoring is instrumental to structure of domestic and foreign investment, connection between domestic and foreign trade, and transformation and upgrade of economy in the district and contributes to Shanghai’s "four center" endeavors.

Increase regional responsible competitiveness
Up to 2012, 312 companies have passed the social responsibility assessment and one third of them are foreign–invested companies. Pudong has compiled "Responsible competitiveness: the Fourth Trend – Innovation of Social Responsibility of Companies in Pudong New District". Pudong Commission of Commerce and WTO Guide of Ministry of Commerce jointly launched "Responsible Competitiveness Index", the first of its kind in China.

Optimize environment for foreign investment
Pudong New District has strengthened supports to corporate headquarters in 2012. To further improve business environment for Headquarter Economy, and close the gap with international cities like Singapore and Hong Kong in terms of global resources allocation capability, service functions, and business environment, effectively address difficulties and hurdles in RHQ operation, and create a more accommodating environment, Pudong New District has been the first one to establish Headquarter Economy Shared Service Center, and promote integrated service system with government guidance and participation of all stakeholders.
To implement the "Opinion on Promoting the Development of Multinational’s Regional Headquarters" jointly issued by Pudong New District, Customs, Inspection & Quarantine, Foreign Exchange, and Entry –Exit Authorities, Shanghai Customs, Shanghai Entry –Exit Inspection & Quarantine Administration, Shanghai Administration of Industry and Commerce Pudong Branch, Shanghai International Traveler’s Health Center and Entry–Exit Service Office of Pudong Public Security Bureau jointly enabled 14 detailed policies.

![Diagram of six services]

- Offer policy interpretation and test policy consulting services to RHQs
- Address issues like entry–exit health inspection, visa, health care, and education for senior employees of RHQs
- Provide consulting services for investment, management, financing and HR for RHQs
- Establish diversified dialog channels and improve regular contacts
- Coordinate different government authorities for RHQs in terms of investment, cross–region cooperation, and cross–function activities
- Offer knowledge support to the development of RHQs and improve business environment compatible with international practices
3.1.3 Priority tasks of Pudong’s comprehensive reform in the future

The following five aspects are the priority tasks:

- Establish the pilot free trade zone and improve shipping and trade services
- Explore approaches compatible to international practices, establish the pilot free trade zone, facilitate trade and investment, develop the open economy, and promote the extension of functions of international shipping center and international trade center
- Accelerate the innovation of administration and services in the financial city and promote Headquarter Economy and platform-based economy
- Give priority to improving market system, concentration of companies, innovation of products and optimization of financial environment, promote innovation of administration and services in the financial city, committed to a better legal, management, and tax environment for the development of Headquarter Economy and platform-based economy, and enhance the capability of cross-border resource allocation
- Establish innovation stimulation system and create a pro-innovation and entrepreneurial environment
- Take Zhangjiang Indigenous Innovation Park and International Talent & Innovation Park as the platform, implement “Zhangjiang’s 10 Innovation Incentives”, and establish regional innovation stimulation system where companies follow the market and research, training and industrialization are integrated.
- Take the development and pilot test in towns and villages and social administration as the priority and strengthen coordination for reforms and the general public’s enthusiasm
- Promote co-development of rural and urban regions, reform land management, rural property scheme, and rural business models, improve social management and public services, and promote fair exchange of resources between rural and urban areas and balanced allocation of public resources
- Streamline government functions and improve service efficiency
- Deal with the relations between government, market, and society correctly, streamline government functions, optimize mechanism, improve efficiency, and create a government with appropriate functions, optimized structure, integrity, and efficiency, and to the satisfaction of the people.
3.2 China (Shanghai) Pilot Free Trade Zone

“China, to the present, has to choose a new example of opening up. Shanghai is endowed and ready to do it. Opening must be realized with reforms”

—Chinese Premier Li Keqiang

I. General requirement
Streamline government functions, explore innovative administrative approaches, facilitate trade and investment, and identify new route and accumulate new experiences for deepening reform and opening up.

Guidelines
Establish law–based regimes for cross–border trade and investment compatible with international practices, make the Pilot FTZ a bridge for China to further integrate into the global economy, create the version 2 of Chinese economy, and contribute to the Chinese dream of revitalizing our nation.

Goals
Develop Headquarter Economy and new types of trade, explore ways to full conversion of capital account and full opening of financial services, improve surveillance model based cargo status, and strive to achieve a world–level pilot free trade zone with convenient environment for trade and investment, full conversion of currencies, efficient and effective surveillance and sound laws & regulations.

Location
The Pilot FTZ consists of four customs–surveillance zones: Shanghai Waigaoqiao Free Trade Zone, Shanghai Waigaoqiao Tax–bonded Logistics Park, Yangshan Tax–bonded Zone, and Shanghai Pudong Airport Tax–bonded Zone and covers a total land space of 28.78 km².
II. Main tasks and measures

A. Streamline government functions

- Shape the framework of laws and regulations compatible with international practices of trade and investment, and establish government administration suitable for high-level trade and investment rules. Government administration will be reformed from approval–based approach to surveillance–based approach. Establish comprehensive assessment of monitoring, supervision and defragmentation of industrial information, and strengthen monitoring, management and supervision of business activities outside of the Pilot FTZ of companies registered inside the Pilot FTZ. Establish unified market supervision and law enforcement system and realize efficient surveillance in quality & technical supervision, food & drug supervision, intellectual property rights, industrial & commercial registration, and taxation. Improve safeguard mechanism to protect the legal rights of investors, achieve fair competition among all types of investors and allow qualified foreign investors to transfer freely their investment returns. Establish arbitration and assistance for IP disputes.

B. Expand opening of investment sectors

- Expand opening of service sectors. More sectors in financial services, shipping services, retail & wholesale, professional services, cultural services and social services will be open (for details, please refer to the attachment), temporarily suspend the restrictions on qualification of investors, equity percentage, and business scope (banking and information & telecom excluded), and create a fair market environment for equal access of all investors.
- Research and enable negative list for national treatment of foreign investment in the Pilot FTZ based on international rules and practices, convert approval of foreign investment to filing of foreign investment (except for investment approval otherwise required by the State Council) to both Chinese and foreign investment in sectors outside of the negative list. Convert AOA approval of foreign–invested companies to MOA filing. Gradually realize foreign investment administration compatible with international practices based on experiences from pilot operation.
- Apply filing–based management to offshore investment of Chinese companies into the Pilot FTZ and facilitate offshore investment procedures. Strengthen after–investment management and services, create shared information surveillance platform, carry out FDI statistics and annual inspection work, and support qualified investors to establish mother fund for overseas equity investment.

C. Promote transformation of trade development

- Promote transformation and upgrade of trade, incubate new business model and functions of trade companies, sharpen new competitiveness edge based on technology, brand, quality and services, and improve China’s position in the value chain of global trade. Encourage multinational corporations to establish Asia–Pacific headquarters as well as operating centers integrating various functions including trading, logistics and financial settlement. Enhance pilot test of international trade settlement, and extend functions of dedicated accounts for payment and financing of trade in services. Encourage companies to carry out both domestic and foreign trade and realize integrated development of domestic and foreign trade. Allow and support financial leasing companies to establish project subsidiaries and offer leasing services. Encourage the establishment of third–party inspection and certification agencies and accept their test results. Implement pilot operations of high–tech and high–value–added reparation and maintenance services. Develop cross–border e–business and establish supporting environment including customs surveillance, quarantine & inspection, tax refund, cross–border payment, and logistics services.
- Upgrade the capacity of international shipping services, and explore internationally competitiveness development mechanism and business models. Actively support the development of shipping financing, vessel transportation, vessel management, and shipping brokerage. Develop trading of shipping price index derivatives. Promote container consolidation services, and riding of foreign trade containers between domestic sea ports and Shanghai port. Increase the number of flights for international cargo relay at Pudong International Airport.
D. Deepen the reform and innovation in the financial sector

- Accelerate the innovation in financial services. Create conditions for pilot test of RMB capital account convertibility, marketization of interest rate, and cross-border use of RMB. Achieve maximum-possible facilitation of trade and investment, encourage companies to leverage both domestic and international resources and markets, and realize free cross-border financing. Deepen the reform of centralized management of foreign capital of multinational regional headquarters, and support their establishment of regional and global capital management centers. Support establishment of foreign banks and joint venture banks in the Pilot FTZ. Encourage product innovation in the financial market. Support equity trust companies to establish comprehensive financial service platform in the Pilot FTZ. Support re-insurance of RMB cross-border business and grow re-insurance market.

E. Improve laws & regulations

- Improve laws & regulations to form high-level trade and investment regimes parallel to the development of the Pilot FTZ. Support the Pilot FTZ with deepened reforms in opening of service sectors, pre-investment national treatment and negative list, and promptly address regulatory issues.

III. Create compatible surveillance and taxation mechanism

Innovate surveillance model, promote free flow of cargo, service and other production elements, expand the opening of service sectors and cargo trading, and form public and transparent management mechanism. Improve taxation policies based on fair, unified and regulated taxation schemes.

- Implement “opening of the frontier”. Allow companies to bring into the Pilot FTZ with import manifests before completing the customs declaration formalities with entry and exist record list. The simplification on entry and exit record list as well as the formalities on international transit, container consolidation and distribution business will be explored. The supervision techniques and approaches will be improved to pilot the model of “import quarantine and related import & export inspection”.

- Strictly enforce “Effective and Efficient control of the second line”. Customs clearance proves will be optimized while the administration of (frontier) and “second line” will be coordinated by improvement on e-information network, entry and exit record lists cross check, accounting books management, physical verification, and risk analysis. An inspection and quarantine model of “easily import and export with strict quality and safety risk control” will be implemented.

- Implement tax policies to boost investment. For companies or individual shareholders registered in the Pilot FTZ that carry out investment using non-currency assets, the income tax payable due to the increase in asset valuation can be paid by installments within a five-year period. Where companies within the Pilot FTZ award highly-skilled employees or employees in short supply by means of shares or capital contributions, the relevant individual income tax may be paid by installments as same as the policies piloted in Zhongguancun.

- Implement tax policies to promote trade. Financial leasing companies registered or project companies set up by financial leasing companies with registration in the Pilot FTZ may enjoy the pilot policies of export tax refund for qualified financial leasing business. Tax refund policies on the port-of-departure will be improve, and the expansion on pilot scope like departure ports, carriers and means of transport will be researched. Proactively research tax policies for overseas equity investment and offshore business.
### IV Opening-up Measures of China (Shanghai) Pilot Free Trade Zone

1. Financial services

<table>
<thead>
<tr>
<th>1. Banking service</th>
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</table>
| Opening up measures | (1) Qualified foreign financial institutions are allowed to set up wholly foreign-owned banks and Sino–foreign equity joint venture banks with eligible private capital within the Pilot FTZ. Restricted license banks are allowed to establish under certain conditions.  
(2) Qualified Chinese banks are allowed to conduct offshore business under the condition of improved regulations and enhanced supervision. |

<table>
<thead>
<tr>
<th>2. Specialized health and medical insurance</th>
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<tbody>
<tr>
<td>Opening up measures</td>
<td>Specialized health and medical insurance institutions will be set up on a pilot basis.</td>
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</table>

<table>
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<tr>
<th>3. Financial leasing</th>
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</thead>
</table>
| Opening up measures | (1) There is no minimum registered capital requirement for a SPV company in the Pilot FTZ.  
(2) Financial leasing companies can conduct commercial factoring that is related to its primary business. |

2. Transportation services

<table>
<thead>
<tr>
<th>4. Ocean transportation</th>
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</table>
| Opening up measures | (1) Limitations on foreign participation in Sino–foreign equity joint venture and Sino–foreign cooperative joint venture international shipping companies will be relaxed. The transport administrative authorities of the State Council will make relevant regulations.  
(2) Foreign ships owned or indirectly owned by Chinese companies are allowed to carry foreign trade containers between domestic coastal ports and Shanghai port. |

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<tr>
<th>5. International ship management</th>
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<tbody>
<tr>
<td>Opening up measures</td>
<td>Allow the incorporation of wholly foreign–invested ship management companies.</td>
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</table>

3. Commercial and trade services

<table>
<thead>
<tr>
<th>6. Value–added telecom</th>
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<tbody>
<tr>
<td>Opening up measures</td>
<td>Qualified foreign–invested companies are allowed to run specific value–added telecom services on the condition of network information security. Approval by the State Council is required if restriction exists in current administrative regulations.</td>
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<tr>
<th>7. Entertainment and gaming console sales and services</th>
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<tbody>
<tr>
<td>Opening up measures</td>
<td>Allow foreign investment into the production and sales of entertainment and gaming consoles. Consoles that pass the censorship of cultural authorities are allowed to sell in the domestic market.</td>
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</table>
4. Professional services

<table>
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<th>8. Legal services</th>
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<td>Opening up measures</td>
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<th>9. Credit inquiry</th>
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<tr>
<td>Opening up measures</td>
</tr>
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<th>10. Travel agencies</th>
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<tr>
<td>Opening up measures</td>
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<tr>
<th>11. Human resource services</th>
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</table>
| Opening up measures | (1) Allow the incorporation of Sino–foreign equity joint venture human resource agencies with no more than 70% of equity owned by qualified foreign investors. Allow Hong Kong and Macao service providers to set up wholly foreign-owned human resources agencies.
(2) The minimum registered capital for foreign-invested human resources agencies will be reduced from USD 300 thousand to USD 125 thousand. |

<table>
<thead>
<tr>
<th>12. Investment management</th>
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<td>Opening up measures</td>
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<th>13. Engineering design</th>
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<tr>
<td>Opening up measures</td>
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<th>14. Construction service</th>
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<tbody>
<tr>
<td>Opening up measures</td>
</tr>
</tbody>
</table>
5. Cultural services

15. Performance agency

| Opening up measures | Remove limitation on the percentage of foreign investment in performance agencies. Allow wholly foreign-invested performance agencies to offer services in Shanghai. |

16. Entertainment facilities

| Opening up measures | Allow wholly foreign-owned entertainment facilities to be established and offer services within the Pilot FTZ. |

6. Public services

17. Education & training, and vocational training

| Opening up measures | (1) Allow the establishment of Sino–foreign cooperative joint venture education and training institutions, (2) Allow the establishment of Sino–foreign cooperative joint venture vocational training institutions. |

18. Medical service

| Opening up measures | Allow the establishment of wholly foreign-owned medical institutions. |

Note: The opening up measures above are only applicable to the companies registered in the China (Shanghai) Free Trade Zone.
3.3 Serves to SMEs

Development of small and micro companies

According to Shanghai Statistics Bureau, the city has 379,600 small and micro legal–person enterprises (SMEs) up to the end of 2012, accounting for 99.6% of the total legal–person companies in the city. Their employees totaled 8.675 million, accounting for 77.3% of the city. Their capital volume totaled RMB 4 trillion, accounting for 77.7% of the city. The sales revenue totaled RMB 7.2 trillion in 2012, accounting for 56.1% of the city. Foreign–invested SMEs totaled 38,600, which hired 1.985 million employees and generated sales revenue of RMB 2.1 trillion. Their capital volume totaled RMB 2 trillion.

<table>
<thead>
<tr>
<th></th>
<th>Number of company</th>
<th>Percentage of the city (%)</th>
<th>Employee (million)</th>
<th>Percentage of the city (%)</th>
<th>Capital volume (RMB billion)</th>
<th>Percentage of the city (%)</th>
<th>Sales revenue in 2012 (RMB billion)</th>
<th>Percentage of the city (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SMEs</strong></td>
<td>379600</td>
<td>99.6</td>
<td>8.675</td>
<td>77.3</td>
<td>4000</td>
<td>77.7</td>
<td>7200</td>
<td>56.1</td>
</tr>
<tr>
<td><strong>Foreign–invested SMEs including from Taiwan, Hong Kong, and Macao</strong></td>
<td>38600</td>
<td>10.1</td>
<td>1.985</td>
<td>17.7</td>
<td>2000</td>
<td>38.9</td>
<td>2100</td>
<td>16.4</td>
</tr>
</tbody>
</table>
3.3.1 Improve laws and regulations and optimize business environment for SMEs

Finalize and execute and implementation rules to the "State Council No.14 Document" and improve government services

According to the "State Council No.14 Document", Shanghai executed the implementation rule, which include 18 detailed policies in terms of tax & subsidy, financial assistance, entrepreneurship & innovation, and public services. The implementation rules were officially issued as "Shanghai Government No.98 Document".

Expand the scope of parallel approval procedure, improve online parallel approval, and continue to optimize administrative services to SMEs. 13 city departments have been involved 72 administrative procedures and 17 district approval portals have been connected with city-level approval portal to shorten the average time for administrative procedure from 14 days to 6 days.

Strengthen tax & subsidy and reduce burdens for SMEs

- Capital volume of special funding totaled RMB 5 billion
- Capital subsidy of central government and city SME funding totaled RMB 270 million in 2012
- Incubation subsidy for technology SMEs totaled RMB 173 million in 2012
- International market subsidy for SMEs exceeded RMB 70 million in 2012
- City finance transferred RMB 35 million of SME funding to district finance in 2012
- 159,000 SMEs benefited from VAT reform by 40%
- Exempted land tax of RMB 1.577 million to non-profitable SMEs
- Cancelled 22 administrative charges and lowered 2 charges, a total reduction of RMB 35 million
- Exempted RMB 32 million of annual inspection costs to over 640 thousand SMEs
3.3.2 Improve service systems for SMEs and service capabilities

**Improve SME service centers of both city and district level**

- Complete "1+17" city–district–interconnected SME service network.
- Guide districts to establish SME service sub-center or station in SME–concentrated community, industrial park and office building to complete its penetration and coverage. Jinshan District, Hongkou District, Changning District and Songjiang District have completed the extension of SME services to towns and main industrial parks.
- Apply universal service tags and standards, enable "Shanghai SME Service Guide", and create considerate and capable SME service teams.

**Reduce information asymmetry and carry out SME Service Year**

- The city’s SME Service Office compiles an annual publication of "Information Express for Shanghai SMEs", circulates it to SMEs via paper printing and "Shanghai SME Online", offers categorized information about government services and business operations, and to reduce information access costs.
- Offer introduction of financing services, information of advanced technologies, warning of import & export risks, and promotion of exhibitions & fairs, as well as knowledge about tax, finance, legal, IP, HR and branding, and cater to diversified needs of SMEs.

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**Shanghai SME Credit Services**

- Platform 341 products from 60 banks

**“SME service cloud” project has incubated 125 service companies of 9 different businesses**

**Establish public service platforms for SMEs**

**Construct 144 public platforms or stations for R&D services**

**Promote logistics service platforms such as Easipass customs clearance platform, 56135 logistics service platform of Shanghai Ground Transportation Exchange**
3.3.3 Support the innovation & incubation and transformational development of SMEs

Strengthen support and achieve the milestone goal of 1,000 "professional, specialized, innovative, and new-business" SMEs.

Up to the end of 2012, the city has 1,008 "professional, specialized, innovative, and new-business" SMEs. 101 of them have achieved the lion’s share in segment market and some have been a leader in the international market. 749 of them have invested over 3% of their sales revenue in R&D and 337 of them have acquired China Famous Brand Award or Shanghai Famous Brand Award. Policies have been more focused and tailored. The city reduced or exempted land tax for "professional, specialized, innovative, and new-business" SMEs in loss position, implemented "SME Capacity Building Project", and trained 240 executives of SMEs in 2012 and a total of 360 executives. Continue to improve surveillance on SME’s business performance, coordinate and address requests and issues to safeguard their business environment.

Improve entrepreneurship of SMEs

Three-year action plan for entrepreneurship & employment (2012–2014)

- Propose the goal of "8932".
- Encourage entrepreneurship of young people and college graduates.
- Support and develop SME entrepreneurship initiatives — help 10,700 people to successfully start their business in 2012.

Improve policies for small guaranteed loans and rental subsidies

- The scope of small guaranteed loans was extended to all SME entrepreneurship initiatives.
- The policy of start-up small loans was extended to the end of 2014.
- The scope of rental subsidy was extended to all incubators.
- The city issued RMB 110 million of SME guaranteed loans, subsidized interests of RMB 4.23 million, and provided rental subsidy of RMB 71.31 million.

Special policy of registration location

- Culture, creative, or high-tech SMEs that is non-disruptive to citizens, surrounding environment and public security can register in designated location.

Strengthen consulting services to entrepreneurship

- Over 600 experts and volunteers have provided 44,000 times of consulting services to entrepreneurs.
- Offer entrepreneurial training to 1,673 people and internship to 1,630 people.
- Launch Shanghai Entrepreneurial Plan Competition to stimulate business enthusiasm.

Establish innovative districts

- 12 districts including Pudong, Yangpu, Huang, and Changning have been certified as innovation districts.

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1 Refers to unified strategy, specialized R&D, innovative products, and new business model.
2 Refers to entrepreneurial trainings of 80 thousand people, 9 innovative communities, help 30 thousand entrepreneurs to establish their business, and create 200 thousand jobs.
Support SMEs to improve innovation

- Implement pre-tax deduction of R&D expenditures
  - 3,206 companies have deducted a total R&D expenditure of RMB 19.82 billion in 2012, 15.6% higher than the previous year.

- Implement the high & new technology commercialization policy
  - 714 commercialization projects of high & new technologies were certified in 2012 with supporting funding of over RMB 700 million.

- Support indigenous IP of SMEs
  - Revised and enforced "Shanghai Patent Subsidy Rules" and carried out pilot test of IP entrustment. Organized project matching between 17 universities and 134 companies of 17 districts, and achieve 141 cooperative intentions and 6 cooperation agreements, and closed 8 cooperative projects.

- Continue to implement "Technology Little Giant" project
  - 41 SMEs were titled as "Technology Little Giant" and 104 were listed as candidates for "Technology Little Giant" and they accessed a total of RMB 330 million of the city and district’s subsidies.

- Promote innovation & entrepreneurship spirits
  - Assessed and awarded 500 city-level innovation SMEs and 11 of them were awarded as National Innovation Company.

- Strengthen the efforts of industrial restructuring
  - Targeted "high investment, high consumption, high pollution, and low performance" companies, adjusted 897 projects for industrial restructuring, and squeezed SMEs to transform and upgrade.

Support SMEs to expand market

- Execute government procurement
  - In 2012, SMEs won 86,075 government procurement contracts worth of RMB 35.52 billion, accounting for 80.5% and 82% of the total respectively.

- Support the e-business of SMEs
  - Launched the special project for e-business of strategic emerging industries and modernization of trade.
  - Supported IT upgrade of SMEs and improve their marketing capability.

- Move forward the restructuring of state assets in a market-based approach
  - Equity of 120 state-owned enterprises was transferred to private and foreign-invested companies as well as individuals in 2012.

- Establish platform for dialog and cooperation
  - Organized a delegation of 120 companies and 200 booth in the 7th APEC SME Technology Fair, the 9th Central China Fair, and the 9th China–ASEAN Expo.
3.3.4 Innovate financing services to SMEs and address difficulties in financing

Develop financial institutions for SME services and financing platform

- Up to the end of 2012, there were 3 specially certified institutions, 3 branches dedicated to SMEs, and 157 sub-branches (including for technology companies) for SMEs.
- Actively promoted small loan companies, and approved the first foreign-invested small loan company. The city has a total of 101 small loan companies and 87 of them have lent RMB 71.2 billion and the balance totaled RMB 15 billion.
- Develop village banks and 9 village banks have opened for business.
- According to facilitate and diversify financing, the city issued the "Implementation Opinion" and established the service platform for SME financing.
- Supported districts to establish "SME Financial Service Cooperative".
- Created technological financing services, supported the first legal-person banks dedicated to technology companies – SPD Silicon Valley Bank, and encouraged 8 commercial banks and 26 branches to establish dedicated counters for technological financing.
- Continue to promote the pawn business. The city has 229 pawnshops and 59 branches, altogether 288 units. Their registered capital totaled RMB 4.84 billion.
- Explore business model of community banks, and enabled the "Guiding Opinion on Encouraging Financial Institutions in Shanghai to Strengthen Community Financial Services".

Strengthen support and guidance to credit lending

Established compensation for loans to SMEs:
26 commercial banks were included in the pilot test of compensation for loans to SMEs in 2012 and outperforming banks will be rewarded.

CBRC innovated surveillance approaches:
strengthened regular inspection and assessment of bank’s credit data of SMEs in Shanghai and improved the efficiency of financial services to SMEs. Only 5 working days are needed for approval clearance if documents are complete. Weighted fluctuation range of SME loan interest rate has been smaller than the previous year.

Strengthened planning and guidance of financial services:
according to the quarterly SME loan working meeting, the list of 1,101 key SMEs was published and commercial banks were required to offer priority credit supports. 2012 "Best Partner for SME Financing Services" was conducted and 25 financial institutions were awarded and 10 Best Partner Bank for Trade in Service and Service Outsourcing were also certified.

Encouraged financial institutions to innovate new financial products:
publish Shanghai Bank Innovation Report on a regular basis and there have been over 300 products dedicated to SMEs. "Financing Product Promotion Seminar" was hosted and SMEs signed "SME Financing Product Promotion Agreement" with 5 financial institutions. Actively move forward IP-mortgaged financing. People’s Bank of China Shanghai Headquarter has established RMB capital pool of 1 billion to re-finance projects of tangible business. Support insurance companies to innovate products and services. Ping’An Property Insurance was the first one to offer SME loan insurance as a pilot test.
Incubate IPO candidates and promote direct financing

- Organized 6 training programs for SME IPO and over 400 SME managers participated.
- In 2012, 9 SMEs were listed domestically (3 in the main board, 1 in the SME board, and 5 in the growth enterprise board) and acquired total capital of RMB 4.04 billion. The city has listed 60 SMEs in the domestic stock market with a total capital of RMB 40.32 billion. According to statistics, the number of listed SMEs has exceeded 100 if foreign IPO are included. Meanwhile, 4 SMEs have acquired IPO approval and are preparing IPO and 61 are in the CSRC’s process of assessment. 74 SMEs are in the IPO training of CSRC Shanghai Bureau and over 600 SMEs are in the IPO candidacy pool.

- Promote the collectively-issued notes. Two collectively-issued notes were successfully launched in 2012 and their 5 SMEs have acquired capital of RMB 453 million.
- Encourage private debt. 14 companies were approved to issue SME private debt with a total capital volume of RMB 1.233 billion.
- Significantly promote venture capital, launch the third auction for VC guidance fund, and develop 17 venture capitals for strategic emerging industries such as new-generation information technology and bio-pharm.

Strengthen supports to financial guarantee institutions

- 16 guarantee projects have been approved and 4 projects have completed due diligence and filing of the state assets by the end of 2012. The aggregate investment of these projects totaled RMB 250 million and absorbed market capital of over RMB 300 million.
- Provide special fund of RMB 50 million each to Shanghai Estate Guaranty Co., Ltd and Shanghai Re–guarantee Co., Ltd, encourage guarantee services to SMEs, and offer subsidies of certain percentage to the actual loss from guarantee services.

- Up to the end of 2012, 80 new guarantee companies were established or confirmed and 71 of them hold business licenses. The guaranteed capital volume totaled RMB 271.6 billion and guaranteed loans totaled RMB 42.7 billion.

- Up to the end of 2012, 98 SMEs have received a total of 509 million of RMB credit guaranteed loans and the comprehensive credit cost is below 9%. Completed credit rating for 40 guarantee companies and recommended 6 of them to the national government for business tax exemption. Dedicated funds to guarantee companies specialized in SME services, The central and local government subsidies to SME guarantee services totaled RMB 58.622 million in 2012 and capital from special fund of Ministry of commerce for small trade and commercial companies totaled RMB 17.49 million.
3.4 Guide for foreign investment

3.4.1 Infrastructure

Shanghai has good city infrastructure and is a hub for ground, water and air transportation.

Two international airports connecting to the world

In 2012, the combined number of flights of Pudong and Hongqiao Airport totaled 596,700, up 4%. The number of passengers totaled 78.7084 million, an increase of 5.6%. Passengers taking domestic flights totaled 54.7374 million and passengers taking international flights totaled 23.9709 million, 4.7% and 7.6% higher than the previous year respectively.

Railways and roads connecting to the whole country.

Shanghai has four railway stations and conveniently connects all major cities in China. Up to the end of 2012, the total road length of the city exceeded 12,000 kilometers with 10,000 bridges, accounting for 14% of provincial roads.

Steady growth of port throughput and booming cruising business

In 2012, Shanghai’s port throughput totaled 736 million tons, 1.1% higher than the previous year. Container throughput totaled 32.5294 million TEUs, up 2.5%. Shanghai has been dedicated to cruising center of the Asia-Pacific Region. Shanghai Wusong International Cruiser Quay and Shanghai International Traveler’s Quay have received 180 cruisers in 2012, 67 more than the previous year. 128 cruisers took Shanghai as host port and the number of passengers totaled 350,300, 71.4% higher than the previous year.

Convenient public transportation

Up to the end of 2012, the city has 13 metros of 468.19 kilometers (including 29.11 km of Maglev Train) . 6.227–million people have been moved via public transportation throughout the year, 2.2% more than the previous year. 2.276–billion people took metros, up 8.3%. The total length of dedicated lanes was 161.8 kilometers.
3.4.2 Education

Complete education system

Shanghai has a complete education system, covering from preschool to higher education and all types of training programs. There are a number of schools, private, public, joint venture, and international. Education quality and performance are top in China and significant progress has been achieved in the application of IT and network in education.

In 2012, the city has 67 universities or colleges, 858 high schools and 761 primary schools as well as 29 special schools. The number of college graduates is increasing while the number of high school and primary school graduates is decreasing slightly. The city has 58 colleges for postgraduate education, which recruited 44,200 postgraduates in 2012. 127,000 postgraduates were studying and 34,500 graduated. 99.9% of children entered school for 9 years of compulsory education, and 96% continued with high schools.

| 67 | 67 Universities and colleges |
| 858 | 858 High schools |
| 761 | 761 Primary schools |
| 127000 | 127000 Postgraduates |

Diversified education institutions

For now, Shanghai has 34 schools that are administrated as international schools, including 22 international schools (kindergartens), 7 Japanese & Korean education centers, and 5 international departments of local schools. There were 29,179 students in these schools, 1,054 more than 2011. 12 international schools have students of over 1,000. There are basically two types of educations—American and British for children of expatriates in the following three types of schools:

| Shanghai Changing International School and Yew Chung International School of Shanghai | International schools based of the education programs of IB and International Baccalaureate Organization. No country restriction and taught in English, very internationalized |
| Shanghai French School, Shanghai German School, Shanghai Japanese School, and Shanghai Korean School | International schools based on education programs of respective countries and supervised and accepted by education authorities of respective countries. Recruit students from respective countries and taught in respective languages |
| Shanghai High School, Jimei High School, and Soong Ching Ling Kindergarten | Their international departments recruit children of expatriates. |

After 20 years of development, Shanghai has established education system of diversified and structured programs, catering to the needs of different countries, languages and levels. It covers from pre-school to high school and basically meets the needs of children of expatriates in Shanghai. The city launched a series of activities such as "Chinese Culture into Schools" to stimulate the enthusiasm of foreign students towards Chinese culture and to the city as well as promoting Chinese language. International schools have become an important channel for expatriates and their children to know China, know Shanghai, and learn the Chinese and Shanghai culture.
3.4.3 Tourism and health care

Tourism

Shanghai is one of China’s main tourist cities and the added value for tourism was RMB 149.768 billion in 2012, 4.9% higher than the previous year. The city has 278 star-rated hotels, including 55 five-star hotels and 55 four-star hotels, in 2012. The city has a total of 1,183 travel agencies and 82 Class-A tourist attractions. Shanghai received 8 million foreign tourists in 2012 and 6.33 million were foreign tourists, 2.1% and 2.4% lower than the previous year. The city received a total of 250.93 million domestic tourists, 8.7% higher than the previous year. Foreign exchange income of tourist industry throughout the year totaled USD 5.582 billion, down 4.3%. The income from domestic tourists totaled RMB 322.439 billion, up 15.7%.

Number of hotels and attractions

<table>
<thead>
<tr>
<th>Type</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Five-star hotels</td>
<td>55</td>
</tr>
<tr>
<td>Four-star hotels</td>
<td>66</td>
</tr>
<tr>
<td>Travel agencies</td>
<td>1183</td>
</tr>
<tr>
<td>Class A Tourist Attractions</td>
<td>82</td>
</tr>
</tbody>
</table>

Health care services

<table>
<thead>
<tr>
<th>Type</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitals and clinics</td>
<td>3465</td>
</tr>
<tr>
<td>Medical employees</td>
<td>146100</td>
</tr>
<tr>
<td>Patients in 2012</td>
<td>214 million</td>
</tr>
<tr>
<td>Death rate of the new born</td>
<td>5.04‰</td>
</tr>
<tr>
<td>Death rate of the pregnant</td>
<td>7.1 per 100000</td>
</tr>
</tbody>
</table>

Up to the end of 2012, Shanghai has 3,465 hospitals and clinics and medical employees of 146,100, and treated 214 million patients. The death rate of the new born was 5.04‰ and death rate of the pregnant was 7.1 per 100,000. Carry out pilot test of care for dying in 18 community hospitals of 17 districts. Public health hotline 12320 (both Chinese and English) provides 24-hours services.

Shanghai city government encourages social capital to support medical services in weak sections, and gives priority to social capital in adjusting and increasing medical resources. The city also encourages foreign investment in health care and gradually removes equity restrictions on foreign capital.

Shanghai is a city of long history and culture heritage and has a number of old architectures and gardens of Tang, Song, Yuan, Ming, and Qing Dynasty. Since the 1990s, the city has erected a number of new architectures that shapes the new and beautiful landscapes of the city. Shanghai has accelerated the construction of Disneyland Project and International Tourist Resort, which will be another milestone attraction for tourism in the city.
3.4.4 IT infrastructure and IT industry

Full coverage of network
In 2012, the added value of IT industry totaled RMB 203.024 billion, 12.4% higher than the previous year. The added value of information service sector totaled RMB 123.379 billion, up 17.5%.
Up to the end of 2012, the consolidated network pipelines totaled 6,900 kilometers, 650 kilometers longer than the previous year. 1,000 new mobile stations and 1,000 indoor coverage stations were added to the mobile network. 2.8 million families have access to optical fibers and 2.5 million have subscribed optical services. Internet subscribers totaled 17.5 million with the penetration rate of 73.5%. 5,000 new wireless points have been installed, making the total available points up to 17,000. International and domestic Internet bandwidth reached 550 Gbps and 2,400 Gbps respectively. Digital TV and IPTV subscribers totaled 3.86 million and 1.78 million, 1.2 million and 25 thousand more than the previous year respectively. i-Shanghai free WLAN services have been established in 300 public locations.

Booming IT industry
The sales revenue of the city’s software industry, telecom transmission services, and Internet information services totaled RMB 208.576 billion, 66.289 billion and 64.285 billion throughout the year respectively. 490 new software companies have been certified with 3,822 registered software products. 45 Information service companies have been listed. The sales revenue of 248 software companies exceeded RMB 100 million per company.
The GDP of e-business totaled RMB 781.5 billion throughout the year, 41.9% higher than 2011. 29,876 companies have registered as member of Easipass, the electronic customs clearance system, which processed 178.7445 million pieces of documents, RMB 994.756 billion of electronic payment, up 9.2%. 1.6378–million electronic bills were printed and 879.2 thousand social security cards were issued. 21.69–million people visited China Shanghai portal website and the total number of page viewing reached 465.26 million. Meanwhile, public services have been strengthened with latest information technologies.
Up to the end of 2012, 3.219 million digital certificates have been issued and the individual credibility system has covered 11.568–million people. The system received 14.768–million requests and offered 9.585–million feedbacks as well as 3.6–million individual credibility statements.

Infrastructure of network

<table>
<thead>
<tr>
<th>Item</th>
<th>Figure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated network pipelines</td>
<td>6900km</td>
</tr>
<tr>
<td>New mobile communication station</td>
<td>1000</td>
</tr>
<tr>
<td>Families that have optical connection</td>
<td>2.8+million</td>
</tr>
<tr>
<td>Optical service subscribers</td>
<td>2.5+million</td>
</tr>
<tr>
<td>Internet subscribers</td>
<td>1.75million</td>
</tr>
</tbody>
</table>
3.4.5 Environmental protection, social security, and culture activities

Environmental protection
In 2012, Shanghai dedicated RMB 57.049 billion to the environmental protection, accounting for 2.8% of the city’s GDP. The “excellent” rate of AQI in 2012 is 93.7%, 1.4 points higher than the previous year. The average dust landing rate was 5.7 tons per km², down 13.6%. Sewage treatment capacity reached 7,010,5 million m³ per day. 164,200 tons of household wastes have been treated and 91.4% were non-pollutant treatment, 3.8 points higher than the previous year. 1,050 new waste separation & treatment stations were established throughout the year. Phase one of Laogang Landfill was completed and Jinshan Comprehensive Treatment of Household Wastes was put into test operation.
1,037.9 hectares of green lands were built in 2012 and 513.35 hectares are public green lands. Up to the end of 2012, the green land coverage rate was increased to 38.3%. 1,168 hectares of forests were planted and the forests coverage reached 12.58%. 53 roads were sided with trees.

Social security
Social security and policy have been improved. The social insurance system has covered 5 sectors including pension, health care, working injury, unemployment, and pregnancy and achieved basically full coverage. In 2012, 13,2638--million people (including retired) participated in the city’s pension scheme. 6,1735--million people paid unemployment insurance and 212,900 of them collected unemployment compensation. The minimum income for rural regions increased from RMB 4,320 to 5,160 per year. The minimum wage rose from RMB 1,280 to 1,450 per month.
In 2012, 13,7598--million people (including retired) participated in the city’s health care insurance. Up to the end of 2012, 2,6259--million people (including college students) participated in the citizen health care insurance.

Culture activities
In 2012, the city has 27 city-level or district-level culture and art centers, 154 art societies, 25 city or district libraries, 41 archive libraries, and 109 museums. China Art Museum and Shanghai Modern Art Museum were officially opened.
The city has successfully hosted a number of upscale culture activities such as "Spring of Shanghai" International Music Festival, No.14 China Shanghai International Art Festival, No. 15 Shanghai International Film Festival, and No. 8 China Computer Game Expo. The city has also successfully hosted 56 international competitions and 74 national competitions. The first Citizen’s Olympics attracted the participation of 6.31--million people in 160 days. 75 jogging lanes, 10 swimming pools and 35 community gyms were built throughout the year.
3.4.6 Service organizations

Shanghai Municipal Commission of Commerce

Shanghai Municipal commission of Commerce is part of the city government responsible for the administration of foreign investment, improvement of investment environment, coordination of investment promotion, guidance to industrial parks and economic development zones, approval of company incorporation & change of articles of association, and consulting services to foreign-invested companies.

TEL: 021-23111111
Website: www.scofcom.gov.cn E-mail: help@scofcom.gov.cn
Website: www.investment.gov.cn E-mail: tzcjc@investment.gov.cn

Invest in Shanghai

Invest in Shanghai (Shanghai Overseas Promotion Center) is the only city-level trade and investment promotion organization under the leadership of Shanghai Municipal Commission of Commerce. In more a decade, the center has been committed to attract foreign investments and promoting outbound investment, offer tailored investment services, and help companies make optimal decisions in Shanghai and other countries and regions.

TEL: 021-62368800 FAX: 021-62368026
Website: www.investsh.org.cn

Shanghai Association of Enterprises with Foreign Investment

Shanghai Association of Enterprises with Foreign Investment (SAEFI) is the government–approved non–profit association of foreign–invested companies, companies from Taiwan, Hong Kong, and Macao and other relevant organizations. SAEFI is dedicated to diversified services of information, training, exhibition, consulting, legal and HR and dialog platform between companies and government departments. SAEFI voices its member company’s requests and help protect their lawful rights.

TEL: 021-62958677 FAX: 021-62751423
Website: www.saefi.org.cn E-mail: saefi@saefi.org.cn
Part Four. Assessment of Foreign Investment Environment in Shanghai
4.1 Questionnaire and Survey

The survey of foreign investment environment in Shanghai was conducted to better understand the needs of foreign–invested companies and imperatives for a better business environment.

Section One

I. Countries/regions of surveyed companies

Most of the surveyed companies were from Japan, US, Europe, Hong Kong, Macao, and Taiwan.

II. Number of years of surveyed companies in Shanghai

Surveyed companies have been in Shanghai for different number years: below 3 years, between 5 to 10 years and above 15 years.

III. Industries of surveyed companies

Main industries of surveyed companies were manufacturing, retail & wholesale, finance, and real estate.
IV. Comments on the investment environment in the recent five years

Among all surveyed companies, 52% believed that the investment environment has been improved in the recent five years and gave positive comments.

![Bar chart showing the percentage of companies' views on investment environment improvement.]

- Slightly improved: 52%
- Significantly improved: 20%
- Others: 20%
- Don’t know: 8%

V. What needs to be improved urgently

Surveyed companies believed that the most urgent aspects that need improvement were government efficiency, government’s administrative charges to companies, and legal environment such as IP protection.

- Enjoy all non–discrimination and national treatment of WTO and China’s WTO commitments: 5%
- Trade and investment environment including IP protection needs to be improved: 24%
- Significantly reduce government administrative charges to companies: 34%
- Significantly improve the administrative efficiency of Shanghai City Government: 37%
Section Two

I. The most concerned issues of surveyed companies
The most concerned issues among surveyed companies were policy transparency and stability and tax burdens relevant to their business operation.

II. Tax burdens compared with other countries or regions
With regard to tax burdens compared with other countries or regions, 66% of surveyed companies believed their tax burden in Shanghai was comparatively high.
III. Time spent on customs clearance

Among all surveyed companies, most of them spent 3 to 5 days in terms of customs clearance and some were as many as 5 to 10 days.

IV. What needs to be urgently addressed for the improvement of government efficiency

Most of surveyed companies believed that the most needed actions for improving administrative efficiency were simplification of surveillance procedures, strengthening services and improving policy transparency.
V. Priority tasks for the government in the next five years

40% of surveyed companies believed that government should continue to improve laws & regulations on foreign investment, especially relevant to the service sector, improve laws and enforcement of IP protection, strengthen law enforcement and efficiency as its priority in the next five years.

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**Section Three**

I. "12th Five Year" period is critical to Shanghai’s economic transformation

The "12th Five Year" period is critical to Shanghai’s economic transformation and surveyed companies believed that Shanghai must promote the rapid development of modern services and be fully committed to the change of economic development patterns, adjusting economic structure, environmental protection, low carbon economy, and improvement of the city’s infrastructure.

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II. What needs to be improved in modern services in Shanghai

Surveyed companies believed that Shanghai should first strengthen the competitiveness of human resources, and then increase approval efficiency and policy transparency, improve incentives to modern services, expand openness to foreign and private investments, and upgrade strategies to develop modern services and international trade in services.

III. How Shanghai promotes modern services in the "12th Five Year" period

Most of the surveyed companies believed that Shanghai should minimize administrative approvals and interventions, simplify approval procedures, and increase government’s transparency. The government should also issue necessary incentives, break market monopoly for market competition, lower the threshold for market access and attract more investment.
4.2. Assessment of Shanghai’s investment environment by consulting firms

Background of the assessment
China Academy of Social Science, Forbes magazine, Xinhua–Dow Jones, Boao Asian Forum, Shanghai University of Finance and Economics, International Cooperation Center of National Development and Reform Commission, China European International Business School, Global Blue and other consulting firms conduct a series of surveys and ratings on relevant indicators of investment environment every year, and conduct comparative studies of major cities in China in terms of economic output, industrial structure, market scale, business opportunities, financial services, infrastructure, location advantage and information connection. Shanghai Municipal Commission of Commerce trusted Shanghai Association of Enterprises with Foreign Investment and Shanghai E–business Promotion Center to follow and analyze assessments of consulting firms on Shanghai. Here is some of their comments:

Shanghai came back to the top of the 2012 Best Commercial City List of Forbes Chinese Edition.
After 3 years, Shanghai regained No. 1 position followed by Hangzhou and Shenzhen. Changsha continued to be No.1 among all cities in central China. The top 100 cities of the list continued region–breakdown structure of previous years. 31 cities in the Yangtze River Delta were in the list, 2 less than the previous but still more than all other regions. 18 cities in the Pearl River Delta were in the list, remaining flat. 6 cities in the Beijing–Tianjin–Hebei Region were in the list, the same as the previous year.

Shanghai ranks top in 2013 China City Competitiveness List
China City Competitiveness List of a government authority indicates that there have been three tiers among Chinese cities, first tier, second tier and third tier.
Among the first–tier cities, Shanghai ranks the top with 87.5 points followed by Beijing (82.5 points) , Guangzhou (79.5 points) and Shenzhen (77 points) as No.2 to No.4. The top 4 cities have comparative advantages in terms of key political and economic indicators and are of clear national strategic importance.

Shanghai continued to rank No.1 in "Transformational Development Index"
The project of "Research of Transformational Development Index of Provinces and Cities" has been finalized and published. The research shows that the average Transformational Development Index of all provinces and cities was 48.5 in 2011 and 45.9 in 2010 while it was 76.9 and 73.5 in Shanghai respectively, ranking No.1 for the second year. Beijing, Guangdong, Jiangsu and Zhejiang were also in the top 5.
Transformational Development Index was based on a number of indexes including three core indexes, namely economic development index, indigenous innovation index, and social harmony index.
Shanghai is gaining more advantages in transformational development. In 2011, the economic development index was 81.4, 4.2 points higher than 2010 and ranking No.1 in China. Indigenous innovation index was 66.2, 3.2 points higher than 2010 and ranking No.2. Social harmony index was 79.7, 2.8 points higher than 2010 and ranking No.2.

2013 Xinhua–Dow Jones International Financial Centers Development Index released and Shanghai ranks No. 1 in further growth for 4 straight years
Xinhua Net, September 10, (Journalist Zheng Juntian) .
"2013 Xinhua–Dow Jones International Financial Centers Development Index” (IFCD Index) was released on September 10 in Shanghai. Of Chinese cities, Shanghai sustained No.6 for 3 years in terms of overall competitiveness and No.1 for 4 years in terms of further growth.
Deputy Editor–in–Chief of Xinhua News Shen Haixiong said that the IFCD Index is a comprehensive and objective assessment of international financial centers in terms of their status quo, trend and development potentials. It looks at both status quo and growth potentials, development trend, and future direction. The index has been widely recognized by global political, business, and academic communities since it was launched 4 years ago.
The IFCD Index of this year conducted thorough investigations to financial centers in terms of 5 aspects: financial market, growth capability, industrial support, service level, and general environment. It has ranked 45 major cities in the world via combination of objective evaluation and subjective assessment. The top 10 cities in the 2013 list are New York, London, Hong Kong, Tokyo, Singapore, Shanghai, Paris, Frankfurt, Chicago, and Sydney.

In terms of growth capability, Shanghai ranks No.1 for 4 straight years and continues to be the financial center of the most growth potential in Asia. Hong Kong has exceeded London to No. 2. The growth of European financial centers has slowed down.

The IFCD Index has been jointly released by China Finance Corporation and S&P Dow Jones Index for 4 years. Based on the principle of "scientific and fair", the IFCD Index takes development and growth as the most important dimension, focuses on the growth capability of international financial centers, and offers important benchmarks for the assessment of international financial system and global financial market.

Shanghai, Hong Kong and Singapore are the most attractive cities for Asian-Pacific Headquarters of multinational corporations

"Asia-Pacific Headquarters Study 2011" jointly conducted by EUCCC and Roland Berger indicates that Shanghai, Hong Kong and Singapore are the most attractive cities for Asian-Pacific Headquarters of multinational corporations. However, disadvantages in regulatory environment, taxation, and RMB convertibility are hurdles to multinational's headquarters in Shanghai.

The study involved 67 EUCCC member companies of certain scale and market share. The survey shows that the top five selection criteria are proximity to clients/market, favorable legal and regulatory environment, stable and favorable political environment, favorable business environment and favorable tax environment. Shanghai is significantly ahead of Hong Kong and Singapore in terms of proximity to clients/market.

Vice President of EUCCC and Shanghai Chairman Mr. Piter de Jong said Shanghai benefited largely from its connection to the mainland China, especially two big production and consumption provinces—Jiangsu and Zhejiang. It brings absolute advantages to Shanghai in terms of proximity to clients/market and offers convenient conditions for multinational companies to invest in production, open distribution channels, achieve low-cost operation, and access to rich HR resources.

It is said that Pudong New District with "pilot test policy" will realize breakthroughs in tax scheme for service sectors, VAT reform, and business tax offset to further improve its environment for foreign investment in the next three years.

The first China regional opening index released and Shanghai, Beijing, and Guangdong rated top three


Shanghai rated top 10 international financial centers for 6 years

"2013 International City Development Report" said on January 16, 2013 that China’s three financial centers Beijing, Shanghai, and Shenzhen has advanced to international financial centers and their position is climbing rapidly.

According to "2013 International City Development Report", Shanghai has been top 10 financial centers for 6 consecutive years.

Shanghai’s IP Comprehensive Development Index ranks No.2 in China


The report says that the top 10 locations for comprehensive development of IP are Guangdong, Shanghai, Beijing, Zhejiang, Jiangsu, Shandong, Fujian, Hubei, Anhui and Sichuan. In terms of growth rate between 2007 and 2012, top 10 locations are Jiangsu, Hubei, Anhui, Shan’xi, Liaoning, Zhejiang, Chongqing, Shanghai, Sichuan and Henan. In terms of regions, the comprehensive development of intellectual property decreased significantly from East China to Central and West China. The average IP Comprehensive Development Index in East China was 73.25, much higher than the average of 51.73 in West China.

Shanghai University of Finance and Economics launched Shanghai Social and Economic Indexes and investment confidence index recovered

Shanghai University of Finance and Economics launched Shanghai Social and Economic Indexes on April 10 based on survey of
company executives, institutional investors, and individual investors. The investment confidence index of Q1 was 115.62, 5.38 points higher than the previous quarter and flat as Q1 of the previous year. Investment confidence continued to rise, indicating investment confidence is turning positively stable.

It is said that the investment environment index of Q1 was 120.60, 4.14 points higher than the previous quarter and 5.05 points higher than the previous year. It is positive in general.

**Shanghai remains the best investment location for foreign companies**

Against the backdrop of sluggish global economy, foreign companies favor Chinese market and Shanghai has been the "musts" in the eyes of many foreign companies.

CEIBS published a survey report on February 21, 2013, which says foreign companies have changed their attitudes toward China and willing to do more business in China based on the survey of 1,214 foreign corporate executives. 60% of surveyed companies have listed China as top 3 investment destinations and Shanghai is their favorite. According to the survey, 55% of the surveyed companies favored Shanghai.

**2013 China City Competitiveness List: Shanghai ranks No.3**

"2013 China City Competitiveness List" based on listed companies was launched on June 24, 2013 at Business School of Shanghai University of Finance and Economics. According to the list, coastal regions have obvious advantages in the list and Shanghai ranks No.3 among all provinces/municipalities, the same as last year.

In the new list, coastal regions still have advantages and most economically developed provinces and cities rank high in the list. Most of them are from Beijing, Shanghai, Guangdong and coastal provinces or cities. Meanwhile, some central and western provinces advanced rapidly. For example, Guizhou Province, No.11 last year, moved to No.9, the first time in the top 10. Analysis shows that these provinces have advantages of setting price benchmarks, which strengthened their positions in the economic situation of 2012.

"Global Shopper Index" ranks Shanghai as top 3 in Asia

The "Global Shopper Index" survey conducted by Global Blue rated Shanghai as top 3 best shopping cities in Asia. Because of longer season of sale, full range of brands, and huge number of premium shops, Hong Kong ranked top in Asia-Pacific region followed by Kuala Lumpur, Shanghai, Beijing, and Singapore.

Global Blue’s survey covered 26 cities in the Asia-Pacific region and assessed 5 aspects to attract international shoppers – shops, price, convenience, hotels & traffic and culture & climate. Meanwhile, the number of tourists, economic development and city layout were also included in the assessment. Candidate cities must achieve a minimum GDP of 50 billion Euros (approximately RMB 411 billion).

After Shanghai was rated No.3, shoppers were not surprised because Shanghai has made significant progress in terms of business models, number of brands and service qualities in recent years. The average commercial space per capita has reached 3 square meters, double as the average of 1.5 square meters in European countries. In the meantime, as some of premium shopping malls put into operation or are renovated, shops will be more evenly located in the city center, offering more choices to foreign and domestic travelers.

**China City Leisure Index launched in Shanghai**

Leisure Research Center of East China Normal University and Yangtze River Delta Tourist Research Center jointly launched " China City Leisure Index 2012". Top 10 cities were Beijing, Shanghai, Shenzhen, Guangzhou, Chongqing, Hangzhou, Nanjing, Chengdu, Tianjin, and Dalian.

"China City Leisure Index" consists of four primary ratings – public leisure infrastructure, leisure consumption capability, leisure industrial capacity, and unique leisure resource, and a number of secondary ratings. All data were provided by authoritative sources. It surveyed a total of 36 cities including 27 provincial capital cities, 4 municipal cities, and 5 independent cities.

**Conclusion**

In conclusion, there have been positive comments on Shanghai’s investment environment. The city has been improving in all aspects and has become the most attractive city in China. If overall costs are considered, Shanghai is a premium location for investment and existing foreign-invested companies are performing well in the city. The fundamental attractiveness of the city to foreign investment is steady economic growth, tremendous market potential, and favorable return on investment.
We will strive to further improve the investment environment, increase the city’s influence based on the opportunity of China (Shanghai) Pilot Free Trade Zone, and attract more investors to the city.
From the Editor

This is the eighth year to compile the "White Paper on Shanghai’s Foreign Investment Environment". It is published every year and has been awarded First Prize of Publications in Shanghai to make the city better known to the world. The book has received serious attentions of city leaders and great supports of partner departments. It is the achievement of joint efforts of many city departments. The book is compiled by Shanghai Municipal Commission of Commerce and supported by Shanghai Association of Enterprises with Foreign Investment. Other editors of the 2013 White Paper include Shanghai Economic and Informatization Commission, Shanghai Financial Service Office, Shanghai Urban Construction and Transportation Commission, Shanghai Tourist Bureau, Administrative Committee of Shanghai Hongqiao Business District, Shanghai Expo Group, Administrative Committee of Shanghai International Tourism & Resorts Zone, Administrative Committee of Shanghai Lingang Development Zone, Construction Headquarter of Qiantan Central Business District, General Office of Shanghai Huangpu Riverside Development Task Force, Pudong New District Commission of Commerce, Shanghai Caohaijing High–tech Development Co., Ltd, Shanghai New Hongqiao International Medical Center, Putuo District Commission of Commerce, Shanghai Electronic Commerce Promotion Center and Invest Shanghai. The book is also supported by the world–renowned accounting firm–Deloitte Touche Tohmatsu.

Based on structures and characteristics of previous editions, the format and design of "2013 White Paper on Shanghai’s Foreign Investment Environment” has been improved for clearer arrangement of contents and illustrations and better readability. The book consists of two parts: preface and main content. Full English translation is provided instead of partial translation in previous editions.

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