Investigative Report on Free Trade Zones in China: Improve export efficiency for Low Pressure Studio BV

A Comparative Study of Fujian, Shanghai, Guangdong, and Hubei Free Trade Zones

China and The World Economy Minor

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PREFACE

The content of this report is the outcome of our investigation into how Free Trade Zones (FTZs) in China are applicable for improving export efficiency related to snowboard and binding production. The exercise has been both challenging and rewarding and has been a source of learning about international trade, regulatory frameworks, and inter-national collaborations.

This report is the outcome of a collaborative effort by a team of six students, each bringing unique perspectives from different academic disciplines and cultural backgrounds. As participants in the minor China and the World Economy at Fontys University of Applied Sciences, we therefore started this task with the intention of using the academic knowledge learned to tackle a real business problem. Furthermore, collaborating with eight students from the Shanghai Institute of Technology has been a valuable experience, combining local expertise with our international perspective to deliver practical and informed recommendations.

The purpose of this report is to provide Low Pressure Studio BV with actionable insights to answer the question: How can Low Pressure Studio BV best utilize the Free Trade Zones in China to optimize export efficiency, balancing both cost reduction and delivery time? We expect that our results will help the company to refine its export approach, as well as advance a general understanding of benefits of the FTZs.

Our research used desk- and field research and involved on site cooperation with the students of the Shanghai Institute of Technology. Their local expertise was highly important for deciphering the unique policy and beneficial features of each FTZ. As a team, we reviewed applicable regulations and reached a tailored recommendation for Low Pressure Studio BV.

This paper is mainly addressed to the management team of Low Pressure Studio BV but could be of interest of any company or researcher investigating export efficiency using FTZs.

We express a well mend thank you to our coaches, Tim Nieuwenhuijsen and Bharat Motiyani, and their significant contributions and support during this work. We also would like to thank the Shanghai Institute of Technology, and their students, for their support in the collaborative process and the availability of their resources, which significantly increased the quality of our research. Last, we are grateful to Fontys University of Applied Sciences in the Netherlands, for giving us the chance to broaden our skills and learn both personally and professionally.

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Executive Summary

This research report shows how Low Pressure Studio B.V. (LPS), located in Amsterdam, can utilize Free Trade Zones in China to optimize their export efficiency while balancing cost reduction and delivery time in the process, LPS is a company that specializes in high-performance snowboards and bindings. They are looking to improve their export process in the coming years. This research paper focusses on four specific Free Trade Zones, Fujian, Shanghai, Guangdong and Hubei. They were selected due to their relevance to the companies current operations in China.

The research uses desk research, uses interviews conducted with industry experts and data analysis to review the advantages of the different FTZs. This includes tax incentives, export benefits, legislation and geographical locations. This research is conducted in close collaboration with eight students from the Shanghai Institute of Technology, they used their local expertise and connections to research some valuable insights for this paper.

Our findings show that the Fujian Free Trade Zone, especially the Xiamen area shows the most favourable conditions for Low Pressure Studios. Its coastal location in combination with its proximity to the Xiamen Port (which has an excellent logistics infrastructure, and has cost-saving tax policies like VAT rebates, duty-free warehousing and expedited customs procedures) make it the best choice for LPS to optimize their export efficiency. Making it easier for them to ensure a place in the global snowboarding market.

In comparison, the Shanghai FTZ excels in the financial sector and has some excellent customs procedures. But it faces some of the largest congestion issues in the east of China. Which can possibly lead to delays, making it less of a perfect fit then Fujian. There also is the Guangdong Free Trade Zone. With its proximity to Hong Kong it offers strong connections and possibilities to trade across the border. But the downside is that it does not provide the same cost-saving tax policies as Fujian. Then Hubei FTZ, while it is heavily focused on innovation and manufacturing it lacks of logistical advantages that LPS needs to make their export process more efficient.

Recommendations include moving LPS's manufacturing and export operations to a central point within the Fujian FTZ. This will minimize export times, reduce -costs and enhance reliability of the supply chain. By doing this Low Pressure Studios can best optimize their export efficiency. This will ultimately help with improving its ability to compete in the international market. Second of all, LPS should consider the Guangdong FTZ for potential future expansion. In the case that the company seeks to diversify into cross-border trade or high-end manufacturing.

The specific focus on the Fujian FTZ will enable LPS to streamline operations, while future exploration of Guangdong could potentially offer additional growth in the future.

Chapter 1: Report Introduction

General Introduction

This project focuses on researching and comparing the Free Trade Zones (FTZs) in Fujian, Shanghai, Guangdong, and Hubei to identify benefits that could support Low Pressure Studio (LPS). LPS is a company that specializes in high-performance snowboards and bindings. It operates in a competitive international market and is seeking to optimize export operations in China by leveraging the advantages and benefits of free trade zones (FTZs).Free Trade Zones are special economic zones designed to facilitate and promote trade by implementing policies that reduce traditional barriers. They offer benefits such as tax exemptions, reduced tariffs, and simplified procedures, making them appealing for cost reduction and operational efficiency. The team adopted an investigative approach for this project, mostly focussing on collecting information for Low Pressure Studios. In this report you will find that each zone presents unique advantages, such as infrastructure, cost savings, or strategic trade connections, making the selected regions valuable for this analysis. This research aims to provide insights and strategies to enhance LPS's operations in the Chinese market.

Company Description

LPS has over 20 years of experience in creating quality snowboarding equipment. Currently it's selling under 3 brands: Bataleon, Rome and Lobster. LPS's practice of tailoring designs and products to distinct target users facilitates portfolio diversification and enhances the ability to cater to individual needs effectively. This approach ensures the provision of products that resonate more closely with their unique preferences and aesthetics. They offer a wide selection of snowboards, bindings and snowboarding related apparel, designing their own snowboard build and visual designs. Their IT activities are primarily e-com related but physical locations are also available to customers. They have websites for all 3 brands (Shopify) with integrations for 3PL (3rd Party Logistics) and ERP (Enterprise Resource Planning) suppliers. Their e-com operations are a fast-growing and important component within the business involving all departments. Their boards are manufactured in China and then sent to their Low-Pressure Studio's offices in US and the Netherlands. Factories are in Guangzhou (Guangdong province), Wuhan (Hubei province) and Xiamen (Fujian province) therefore these areas plus Shanghai are our main points of focus, since all of them are located within FTZs.

Problem Statement

The central question addressed by this project is:

"How can Low Pressure Studio best utilize the Free Trade Zones in China to optimize export efficiency, balancing both cost reduction and delivery time?

Research Objectives

- Explore the specific benefits and limitations of the relevant FTZs
- Identify cost-reduction opportunities for exports
- Analyse trade-offs between cost and delivery time

Project Rationale

The core goal of this project was to research and compare various FTZs in China to provide Low Pressure Studio (LPS) with a comprehensive understanding of their operation, similarities, differences, and best practices for effective use. LPS aims to explore options for reducing costs while maintaining delivery efficiency by leveraging the advantages of FTZs.

This investigative project focused on presenting a detailed report to inform LPS about the potential benefits of specific FTZs and whether operating within them would align with their objectives. The outcome provides actionable insights to enhance strategic decision-making.

Project Scope

Scope: The project involved an in-depth investigation into the potential of Chinese FTZs to help LPS reduce costs and improve operational efficiency. The analysis included policies, incentives, logistical factors, and comparative evaluations of key FTZs (Fujian, Shanghai, Guangdong, and Hubei). The research focused on opportunities related to tax breaks, reduced tariffs, streamlined customs procedures, and transportation costs, providing a holistic view of their benefits for trade-oriented industries.

Additionally, the project examined regulatory, financial, and operational challenges to offer recommendations for effectively leveraging FTZ advantages. The insights aim to help LPS make informed decisions about optimizing export processes and enhancing global competitiveness.

Out of Scope: The project excludes research into FTZs outside mainland China, such as those in Hong Kong or Singapore, and economic zones unrelated to the company's export strategy. Domestic market operations, foreign trade policies not tied to FTZs, and unrelated business areas (e.g., marketing, product development) were also outside the project's scope. This focus ensured that findings were directly relevant to LPS's export strategies.

Project Results

The final report provides a clear explanation of what FTZs are, how some of them compare, and it shows recommendations on the zones most beneficial to LPS, supported by evidence from desk research, field research (interview), and data analysis.

Challenges and Collaboration

The primary challenge faced during this project was restricted access to information due to government regulations. To address this, collaboration with students from the Shanghai Institute of Technology provided essential data and insights to ensure the project's success.

The final report was completed and submitted on 29th January 2025.

Research questions and research methods

To explore the possibilities FTZs in China provide for export efficiency improvement for LPS, the research team has composed four research questions, respectively, for regulations, geographical advantages, cost reduction policy and legislative possibilities. These four research questions are:

1. What are Free Trade Zones (FTZs), and what are their benefits compared to the Chinese mainland?
2. How can the geographical location of FTZs (Fujian, Shanghai, Guangdong, and Hubei) impact export efficiency for Low Pressure Studio?
3. What cost advantages related to services or facilities in Chinese Free Trade Zones could help reduce overall export costs?
4. How might we utilize the current legislation in Free Trade Zones to reduce export costs on board and binding production?

All the above-listed research questions contain a number of detailed sub-questions that address more issues which, in the end, give enough background information to arrive at a solution about the problem and provide the team with the necessary amount of information for delivering some sense

of credibility to the proposed recommendations. The different research factors each question concludes are:

Research question 1: What are Free Trade Zones (FTZs), and what are their benefits compared to the Chinese mainland?

- Explore the extent to which FTZs are distinct from conventional regulations and the unique benefits they bring to exports
- Conduct desk research to understand the key advantages and operational effectiveness

Research question 2: How can the geographical location of FTZs (Fujian, Shanghai, Guangdong, and Hubei) impact export efficiency for Low Pressure Studio?

- Assess the logistical implications, exploring the provided utilities and facilities and the infrastructure, by means of desk research from Chinese data and company experiences
- Analyse the client company's shipping data to determine its geographic advantages

Research question 3: How cost benefits of business services or facility offerings in the Chinese Free Trade Zones can be used to lower total export costs?

- Carry out field research, including interviewing a Chinese freight operator, to obtain information concerning possible savings in terms of services and facilities provided by FTZs

Research question 4: How might we utilize the current legislation in Free Trade Zones to reduce export costs on board and binding production?

- Conduct comparative law study of FTZ based on information collected jointly from SIT students and Chinese sources, through desk study

Data collection process

The research methods used for this investigative report combined desk and field research, conducted collaboratively by Fontys and SIT students. The desk research consisted of data analysis obtained from our client company, Low Pressure Studio BV, and a comprehensive literature review of FTZs in academic papers, industry reports and documents collected from Chinese students at the Shanghai Institute of Technology (SIT) using their local networks, Chinese-language databases, and agency review documents, which proved crucial for understanding the unique advantages and legislation of FTZs. Moreover, the field research included an interview with ECU Worldwide, a Chinese freight forwarding agency, the purpose of this interview is to get better insights of the cost advantages, operational efficiency and the potentials that the FTZs could provide. This interview was conducted by the SIT students and their English transcript of the interview was used for research. The interview yielded valuable information about the mechanism of export/import between China and the rest of the world. In addition, comparative studies have been conducted to understand and discuss the regulatory and welfare issues of FTZs in Fujian, Shanghai, Guangdong, and Hubei, in order to estimate the role of FTZs in an effective export model. Bonding between the Dutch and the Chinese students, working interaction, was further enhanced by the team visit to Shanghai, where the possibility of face-to-face interaction facilitated a successful joint effort. During their trip, the Dutch students presented their research proposal to the SIT students, including open questions and topics that required local knowledge. The SIT students responded with extensive desk research, compiling critical information from Chinese resources and facilitating the interview with ECU Worldwide. This partnership ensured access to unique local insights and maintained an ongoing dialogue through WeChat, enabling continuous support. In the Netherlands, the team continued their work by search

in other articles and public documents, which are freely available online. This integrated approach, combining the strengths of local expertise, collaboration, and diverse research methods, allowed the team to answer the research questions effectively and ensure the feasibility, coherence, and robustness of the results.

Chapter 2: Analysis

Paragraph 1

Research question to investigate in this paragraph:

1. **What are Free Trade Zones (FTZs), and what are their benefits compared to the Chinese mainland?**

Analysis

1.1 What are FTZs?

Free Trade Zones (FTZs) are special economic zones designed to facilitate and promote trade by implementing policies that reduce traditional barriers. They allow goods to be imported, handled, manufactured or re-exported with reduced or no customs intervention until they enter the domestic market. (Sum, 2024b) These zones often feature tax incentives, streamlined import/export processes, improved infrastructure, efficient warehouses and reduced or abolished tariffs for certain products. Although specific benefits vary by country or region, the overall goal is the same: to optimize trade and economic activity. FTZs are typically located in areas with strategic geographic advantages, such as seaports, airports, or border regions, ensuring optimal connectivity for international commerce. (*Free Trade Zones (FTZs) | Definition, Example & Benefits*, z.d.)

1.2 How do the Chinese Free Trade Zones differ from mainland regulations?

As part of the goals of planting Free Trade Zones throughout China, policy innovation and reform have been identified as the biggest focus point of the development of Free Trade Zones in China. This has been established in order to help the growth of logistics, speed up regional logistics integration and promote advance logistics services. (Yang, 2016)

With the intention to support the Free Trade Zones and the services they provide, especially for foreign business purposes, a lot of new legislation and regulation has been passed in the last decade. Since 2013, when the Chinese government established the Shanghai Pilot Free Trade Zones as a testing ground for this new phenomenon, numerous laws have been implemented to provide the Free Trade Zones with the much-needed open and preferential policies. The goal is to create a market environment that focuses on creating equal access for all types of investors. So foreign investors are allowed to take controlling interest in order to create a more internationalized business. (TetraConsultants)

Free Trade Zones have specific functions related to Finance, Technology, Manufacturing, Logistics, Trade, Digitalization, Agriculture and Healthcare. The division between the different functions offers several advantages such as:

- Targeted economic growth: Free Trade Zones can focus on developing certain sectors, creating growth and innovation in key industries
- Attracting specialized investments: By creating a tailored infrastructure for specific sectors, Free Trade Zones can attract exactly the investors they want in their high priority areas
- Boosting sector specific innovation: Because different zones are specialized in different functions, they are able to focus on this specific function. Which makes it most likely that this will increase their global competitiveness (The Role of Free Trade Zones in Creating Investment Opportunities, 2024)

If you look at other parts of the world, governments from many countries have passed exclusive legislation for their Free Trade Zones. In Panama, for example, the government allows cargo to be moved without paying any taxes to attract more shipments and tempt foreign companies to relocate their business to their country (panaparkfreezone, 2024). While in Singapore they passed legislation that makes way to apply for tax exemptions, and customs postponements for trading cargo through their Free Trade Zones. (inland Revenue Authority of Singapore , 2024)

To conclude, the Chinese Free Trade Zones differ from mainland regulations in multiple key areas, mostly in terms of regulation flexibility, foreign investment opportunities and sector focus. The Free Trade Zones are designed to offer more freedom for the companies and to create a more international- friendly business environment, with the reduced restrictions and loser government control on foreign ownership and the usage of specialized policies that empower growth in certain industries like Finance, Tech, Logistics and Healthcare. Because of the specialized policies, the FTZ's offer a competitive advantage by being able to offer easier customs procedures, tax exemptions and more convenient administrative processes. As opposed to the Chinese mainland where there are stricter regulations and laws making it more difficult for foreign business to thrive there. Overall, the Free Trade Zones are the opposite of the mainland, and they are a vital part of China's economic growth strategy.

1.3 What specific advantages do Chinese Free Trade Zones offer for export?

Chinese FTZs provide a wide range of benefits that can improve export operations. These advantages include tax and customs benefits, export support, financial advantages and opportunities for innovation and investment.

Customs and tax benefits

FTZs offer multiple substantial customs and tax advantages that simplify export processes such as:

- Duty Free Imports: Companies can import raw materials and components into the free trade zones without having to pay import fees (e.g. Guangdong FTZ)
- Deferred Customs Payment: Businesses can defer duty payment, improving cashflow management (e.g. Hubei FTZ)
- Tax Exemptions: Finished products re-exported from the Free Trade Zones are often exempt from customs fees (e.g. Fujian FTZ)
- Simplified procedures: The customs clearance process in FTZ's reduce paperwork, this makes operations more efficient (e.g. Shanghai FTZ)

(ptl group, 2024)

Export Support

The Free Trade Zones provide multiple features that help with streamlining export activities for companies such as:

- Streamlined logistics: Export processes are optimized through improved logistics and trade facilitation measures; this will help companies to improve their logistics and trade (e.g. Fujian FTZ)

- Easier compliance: Reduced and easier regulations within the Free Trade Zones make it easier for exporters to comply with international trade requirements and regulations (e.g. Guangdong FTZ)
- Trade Liberalization: Some of the FTZs allow produce to be re-exported without customs interventions or the customs fees reducing export cost and time (e.g. Shanghai FTZ)

(cnxtrans.com, zd)

Financial Advantages

The Free Trade Zones offer financial benefits that support international business and cross nation transactions like:

- Free trade accounts: Companies can open accounts allowing free currency conversion; this facilitates international transactions (e.g. Shanghai FTZ)
- Capital movement: There are Free Trade Zones that allow easier cross border financial activities and services, which makes it more attractive for foreign investment to come to China (e.g. Shanghai FTZ)

(tetraconsultants, 2024)

Innovation and Investment Opportunities

Free Trade Zones encourage businesses to invest in innovative practices and enhance their production capabilities, they do this with services like:

- R&D incentives: FTZs provide incentives and possibilities for companies to engage in Research & Development (R&D) fostering innovation (e.g. Hubei FTZ)
- Foreign Investment: There are multiple preferential policies being implemented that attract foreign investors; this will potentially bring in advanced production technologies (e.g. Guangdong FTZ)

(cnxtrans.com, zd)

Chinese Free Trade Zones offer a unique set of assets for companies to enhance and streamline their production and export efficiency. With their financial incentives, focus on innovation and streamlined logistics, Free Trade Zones create new opportunities for companies to improve production.

Results and recommendations

Free Trade Zones (FTZs) are special economic zones designed to facilitate and promote trade by implementing policies that reduce traditional barriers. They make it easier for companies to import, export and handle manufactured goods. Compared to mainland China, the FTZs offer benefits such as tax cuts, reduced import cost, and reduced tariffs.

Paragraph 2

Research question to investigate in this paragraph:

2. **How can the geographical location of FTZs impact export efficiency for Low Pressure Studio?**

Analysis

2.1 What are the current costs associated with the shipment of LPS's products?

The customer has provided us with a reference file to their costs associated with shipping from their Snowboard and Binding/Boot Factories. In the file, four shipment references are presented. They are shipped from mainland China and Hong Kong and are all set to arrive in the US. The transportation methods are sea and air shipments. For each one of the jobs, the relevant charge codes are provided along with the relevant costs. This gives us insight into what stages some of the company's shipments go through and the costs contributing to the overall expense.

The charge codes can be grouped into the following categories.

- Customs-related Costs
    a. Import Customs Clearance Charges
    b. Duty
    c. Duty Outlay Fee
    d. ISF (Import Security Filing)
    e. Miscellaneous – Brokerage

- Freight and Transport Costs
    a. Freight
    b. Delivery
    c. Chassis Usage Charge
    d. Wait Time

- Operational and Handling Costs
    a. Handling – Import
    b. Origin Charges
    c. Import Service Fee
    d. DSV Protect

Customs-related costs include charges like import clearance, duty fees, and taxes. These costs are the biggest factor for sea shipments where duties make up over 80% of the total cost. Air shipments also include these charges but at a smaller scale.

Freight and delivery costs are central for all jobs but are especially noticeable in air shipments. The sea shipments have lower freight costs per kilogram, but the delivery charges make a significant difference.

The operational and handling costs like chassis usage and import service fees do not make up a large part of the total but appear consistently in all jobs. These process stages ensure smooth operations during the shipment.

Overall, customs-related costs influence significantly the total of sea shipments, while freight charges do the same for air shipment expenses. Despite the differences in transportation modes, smaller operational charges play a consistent role across all jobs, contributing to the overall expenses.

2.2 What are the current import-export routes employed by the client?

The client employs a well-defined network of import-export routes to transport their products from factories in China to their warehouses in the United States. Each factory is located in different parts of China and utilizes specific ports for export.

The snowboard factory is situated in Taimen Town, near Huizhou in Guangdong Province. Products manufactured here are typically exported via the Shenzhen/Hong Kong ports, which serve as major shipping hubs for the region.

The primary binding factory is located in Jinzhou City, Hubei Province. Goods from this factory are routed through the Shanghai port, one of the busiest ports in the world.

The secondary binding factory operates in Xiamen, a coastal city in Fujian Province. Products from this location are shipped through the Xiamen port, leveraging its strategic position along China's southeast coast.

Regarding shipment timelines, the client plans for an average lead time of 60 days from the departure of goods at the factory to their arrival at the warehouse. However, global shipping disruptions have recently extended this timeframe to approximately 75-85 days. The typical cost of shipping a container of boards via ocean freight from China to the United States is $5,500 (Low Pressure Studio, 2024).

Snowboard Factory:

- Location: Outside Huizhou, Guangdong Province, in Taimen Town
- Export Route: Products typically ship through the Shenzhen/Hong Kong port

Primary Binding Factory:

- Location: Jinzhou City, Hubei Province
- Export Route: Products typically ship through the Shanghai port

Secondary Binding Factory:

- Location: Xiamen, Fujian Province
- Export Route: Products typically ship through the Xiamen port

2.3 How can the routes improve the efficiency and speed of delivery of LPS's products?

The eastern coastline is the economic driver of the country, generating most of the agricultural, industrial and economic wealth. Besides most means of production, and most capital being congested in that area, most of the population is also concentrated in that region. This creates unique opportunities, as well as certain challenges.

To understand these opportunities and challenges in context, observing the phenomenon at a national scale does not render neither accuracy nor the adequate resolution that could aid the reader develop an adequate concept model. With that in mind, the team will instead shift its focus on the city of Shanghai as a target-relevant sample. The city of Shanghai was chosen as a relevant sample for a number of specific reasons. Those being the fact that, while not as present as in Guangzhou for

example, Shanghai also manufactures goods. It has the largest port in the world, a large population density, and two international airports. Furthermore, as part of this project, the team also visited Shanghai, and has reliable partners there.

The city of Shanghai has a population of 30,5 million people (Macrotrends, n.d.) and is located on the eastern coastline of the People's Republic of China. The city is the main financial center of the country, having a local GDP of $660 billion (International Service Shanghai, 2025). The city also has two international airports and the busiest port in the world (for the 14th year in a row in 2024) more than 50 million TEU transiting the port annually (State Council of the People's Republic of China, 2024).

This creates conditions that sharply differentiate Shanghai from the western side of the country, though similar challenges are common in highly populated regions. The resulting challenges include:

A high traffic density

The key issue for a supply chain concerned with physical goods is transportation at various stages. In areas with large population concentration, large traffic density is a challenge. Urban areas, especially in China, are areas with enormous population density, as well as extremely high traffic congestion. However, this traffic congestion is relatively well managed through a network of ground level and elevated highways, as well as a robust public transportation system composing of subways, busses, and ferry boats operating across the Huangpu river. As a side note, in the experience of the team, ground-level streets are usually populated by commuters travelling within their own area of residence. Thus, they have a larger likelihood to be less crowded even during rush hour, while the elevated highways are more commonly used by people commuting between various areas of the city, which creates traffic jams during rush hour.

The traffic congestion in Shanghai has been measured soon after the restrictions of the Covid pandemic were lifted, and it displays how the various areas of the city were affected at various time intervals.

As it can be seen in *Figure 1* (*see Appendix 2*), traffic has recorded a significant increase in areas most commonly associated with working spaces, trade and export. Presumably, a pattern typical for large metropolitan centers is also true for Shanghai, and by proxy most large urban concentrations in China. Based on this pattern the team deducts that, while the city is highly populated during workdays, a significant portion of the people do not actually live in Shanghai, or at least not close to its central areas, most commonly associated with high traffic density. Instead, they live at the outskirts, or even in roundabout towns and villages, migrating in the city only for work and/or study.

This pattern is further reinforced by analyzing the audio patterns of traffic during week time and compared to weekends and national holidays.

This factor creates an issue for the company, as it creates congestion especially in the key areas of interest for the company. Those being environments related to manufacturing, import, export and trade, as well as working environments. This pattern is demonstrated when looking at the accessibility patterns of the various areas of interest throughout the city

As seen in *Figure 3* (*see Appendix 2*), these limitations are partly driven by the territorial spread of Shanghai, making transportation relatively difficult, especially from peripheral areas in a timeframe under 40 minutes. However, a noteworthy exception is the metropolitan areas. They have significantly reduced transport times across the board in mostly all key areas around the city including the financial district, the airport, as well as, the port.

High Population Density

As seen in *Figure 4* (*see Appendix 2*) the city also has a high population density, especially in the commercial and central areas.

While this does not pose any significant challenge or opportunity to the core operation of the company, a higher population density, especially in the commercial areas are generally translated into more traffic density along with increased potential local demand. Furthermore, a higher population density can also be associated with a higher potential pool of qualified workforce. This can be proven true when looking at the literacy rate in China which stands at a 99,83% (Global Data, 2021), and also looking at the percentage of population to have completed higher education which stands at 60.2% (Ministry of Education (China), 2024).

Higher utility costs due to higher demand

By analyzing the energy costs comparing Shanghai to, taken as reference the city of Lhasa, which is one of the largest urban settlements in the western side of the country, a few things become immediately obvious. First, Shanghai's energy costs has been consistently not only higher, and more privy to market fluctuations, but also higher overall compared to Lhasa (*see figure 5, Appendix 2*).

As seen in *Figure 5* and *Figure 6* (*see Appendix 2*), large urban areas such as Shanghai would be an imprudent business decision judging by this factor alone. But looking at it from a costs perspective, this energy cost situation does have a catch. When accounting for energy usages that exceed 35 kWh, the city of Lhasa's energy costs stayed the same, at 0.630 RMB. However, in the case of Shanghai, this cost went down to 0,610 RMB (CEIC, 2025), which makes large urban settlements in Free Trade Zones a more financially accommodating place to establish supply chains compared to the western side of the country.

Results and Recommendations

Based on the findings of the team a few elements stood apart in what regards the company's operations. The client uses 3 main routes; 1 in Xiamen, Fujian province, exporting from the same city; 1 outside of Guangzhou, Guangdong province, exporting from Hong Kong-Shenzhen port. That's a roughly 100 km distance between the two. And for the third one, manufacturing is done in Hubei and export is done in Shanghai. Average distance is 1600 km.

Based on the analysis of the team, a few things became immediately evident. First, China, unlike the Netherlands is a large country, and travelling from one province to the next is still measured in the hundreds of kilometers. This creates challenges, especially when it comes to the shipment of goods domestically, from the manufacturing plants, to the warehouses.

Out of the 3 routes used, only one can be effectively recommended by the team as being the most efficient viable option and that is route number 1. Since most of the export is done within the city of Xiamen, this considerably reduces distances. Furthermore, another factor is the proximity to a port which signifies direct access to the sea. Of course, travelling within the country is also a relatively efficient process. However, that means that instead of having a direct shipment, the goods need to exchange ships in one such port.

This adds additional days to the delivery time and potentially additional delays due to port delays in the export port.

Thirdly, the team believes that by focusing as much of the supply chain in one city or region can significantly increase efficiency. This can increase the frequency of shipments, reduce the time spent on shipments and warehousing, and added leniency and flxibility from the local government, as doing more business in the region can lead to better treatment to the client. This, however, does have an element of risk, especially on the export side. As for whatever reason, the local port or airport is incapacitated, the client will have no choice but to cease its export immediately. The team has accounted for this risk in its recommendation.

Finally, the team believes that by choosing highly popular ports such as Shanghai or Hong Kong, the client exposes itself to potential delays. The team believes that because the more popular ports are usually the export routes of choice for most businesses that also operate in China, a significant demand is created that cannot be met under all conditions. To this end, the team believes that the most effective approach is by choosing a less popular, however still large port, to make the exports from. This will minimize the risk of creating backlogs and delays in the supply chain.

Given these criteria, the team believes that from a geographic perspective the best approach the client can take to maximize efficiency while minimizing delays is by focusing all of its manufacturing and export operations in one region, ideally, one city.

This region needs to meet the following criteria: It needs to be coastal, in order to avoid any transit from one ship to another and also minimizing effective delivery time. It needs to have a large port, however one that is less popular than the largest ports of the country such as Shanghai or Hong Kong. It needs to be close to other major export ports or airports, as a measure of mitigating risk, and in order not to significantly disrupt the current supply chain, it also needs to be a region where the client currently conducts business. To that end, the team advises Fujian as their target destination to implement the aforementioned advice.

Paragraph 3

Research question to investigate in this paragraph:

3. **What cost advantages related to utilities and facilities in Chinese Free Trade Zones could help reduce overall export costs?**

Analysis

3.1 How do facilities in FTZs offer cost benefits that contribute to reducing overall export costs?

Facilities in Free Trade Zones (FTZs) significantly contribute to reducing overall production and export costs by using several strategic advantages and optimized infrastructure. Located in key trade hubs such as seaports, airports, and major economic regions, FTZs minimize transportation costs and improve supply chain efficiency. In addition to location, FTZs offer advanced infrastructure, including modern **warehouses** and storage **facilities**, which allow companies to store goods cost-effectively without immediate customs duties. This delayed taxation model ensures businesses can distribute resources efficiently, reducing initial financial burdens. (Zhou, 2024)

Furthermore, FTZs provide tempting investment incentives, such as favourable rental conditions for warehouses or office spaces and access to skilled labour at competitive rates. These factors collectively create a cost-efficient environment for production and trade, making FTZs crucial in reducing operational expenses while boosting global competitiveness. (MOOV Logistics, 2024)

3.2 How do utilities in FTZs provide cost advantages that help lower overall export costs?

Even though China has seen drastic improvements in terms of the openness of its economy and FDI, some barriers that remain have been lowered through the Free Trade Zones. China FTZ tax benefits, duty-free imports and exports, as well as streamlined and simplified customs procedures are important factors that help to create a good business environment for foreign companies. (Tetra Consultants, n.d.)

The FTZ measures provide streamlined customs procedures for imports and exports within the region. For example, for air and express shipments, if the necessary customs documents are submitted and the goods comply with China's customs supervision requirements, they should be released within six hours upon arrival. Additionally, if goods are stored in a bonded warehouse, they don't immediately pass through customs. They are cleared only when exported internationally or sold domestically in China. (Interesse, China Briefing, 2023)

Goods delivered by an enterprise situated in a non-FTZ area to an enterprise situated inside the FTZ, are considered exports and these goods are eligible for VAT export rebates after the goods physically leave the FTZ for overseas destinations. (Duty and VAT rules in PRC designated economic areas, 2005) This means that if LPS's products are manufactured outside of the FTZ, they fall under this rule and can benefit from the VAT rebate on the goods once they are exported out of China.

As for bonded warehouses, these are operated by a private company under the supervision of China's customs agency. Goods stored in bonded warehouses are treated as though they have not yet entered the domestic Chinese market for customs purposes. (The Advantages of Bonded Warehouses and FTZs in China and Southeast Asia, 2022) If we consider the previously mentioned rule about the VAT export rebates and if the products are in fact considered as "exported" when they arrive in an FTZ, the company can hold the goods duty-free until they are shipped overseas.

3.3 What differences are between the benefits offered by individual Free Trade Zones?

China's Free Trade Zones are crucial components of the country's strategy to enhance trade, attract foreign investment, and drive economic reform. These zones, which include Fujian, Shanghai, Guangdong, and Hubei each focus on different areas of growth and innovation.

Shanghai Free Trade Zone:

Shanghai FTZ emphasizes the financial services sector, supporting private capital in foreign financial institutions and promoting offshore business by Chinese banks. It is an international financial centre and pilot for free trade reforms. With 120,72 km^2 of coverage, it includes areas like Waigaoqiao and Pudong Airport. Shanghai leverages its strong position in finance, trade, and shipping, benefiting from its location within the Yangtze River Delta, with a GDP scale of 1601.34 billion yuan (Shanghai Institute of Technology, 2024).

Guangdong Free Trade Zone:

The Guangdong FTZ focuses on regional cooperation between Guangdong, Hong Kong, and Macao, promoting service trade liberalization and cross-border RMB business innovation. Spanning 116,2 km^2, it includes areas like Nansha and Shekou. The zone thrives on its proximity to Hong Kong and Macao, making it ideal for institutional innovation and high-end manufacturing. Its GDP scale of 11 trillion yuan underscores its economic strength within the Pearl River Delta (Shanghai Institute of Technology, 2024).

Fuijan Free Trade Zone:

Fuijan FTZ highlights its role as a testbed for reform and innovation, with a focus on cross-strait trade, cross-border e-commerce, and supply chain logistics. Covering 118,04 km^2, it benefits from its coastal location near Taiwan, facilitating new offshore international trade and cruise economy development. The zone's strong supply chain and logistics system make it a hub for international shipping and commerce, with a regional GDP of 88,41 billion yuan.

Hubei Free Trade Zone:

Hubei FTZ is dedicated to fostering high-tech industries, strategic emerging sectors, and innovation in financial services. It spans 127,2 km^2across Wuhan, Xiangyang, and Yichang, with a GDP scale of 2 trillion yuan. Rich in educational and scientific resources, Wuhan focuses on high-end equipment manufacturing and biomedicine, leveraging its position in the middle reaches of the Yangtze River (Shanghai Institute of Technology, 2024).

Comparative Insights:

While all FTZs aim to enhance trade liberalization and innovation, their specific benefits vary:

- Financial Services: Shanghai leads in offshore finance; Guangdong emphasizes RMB business; Fujian supports cross-border finance; Hubei integrates financial services with technology and green finance (Shanghai Institute of Technology, 2024).
- Trade and Commerce: Shanghai prioritizes market equality; Guangdong leverages Hong Kong and Macao; Fujian focuses on international trade innovation; Hubei encourages modern service industry development (Shanghai Institute of Technology, 2024).
- Professional Services: Shanghai allows law firm collaborations; Guangdong promotes Hong Kong/Macao financial institutions; Fujian emphasizes maritime dispute resolution; Hubei integrates legal services with green finance (Shanghai Institute of Technology, 2024).

- Cultural and Social Services: Each zone opens to foreign investment, with unique emphases like TCM in Guangdong, cultural exchanges in Fujian, and science-industry integration in Hubei (Shanghai Institute of Technology, 2024).

Region	Focus Areas	Key Features	Size	Key Areas	GDP Scale
Shanghai FTZ	Financial services, offshore business, private capital in foreign financial institutions	International financial centre, pilot for free trade reforms	120,72 km^2	Waigaoqiao , Pudong Airport	1,601.34 billion yuan
Guangdong FTZ	Regional cooperation (Guangdong, Hong Kong, Macao), RMB business, service trade liberalization	Proximity to Hong Kong and Macao, high-end manufacturing	116,2 km^2	Nansha, Shekou	11 trillion yuan
Fujian FTZ	Cross-strait trade, cross-border e-commerce, supply chain logistics	Coastal location, offshore trade, cruise economy, logistics hub	118,04 km^2	Xiamen, Fuzhou, Pingtan	88.41 billion yuan
Hubei FTZ	High-tech industries, strategic emerging sectors, financial services innovation	Focus on biomedicine, equipment manufacturing, green finance, innovation	127,7 km^2	Wuhan, Xiangyang, Yichang	2 trillion yuan

Table 1: Comparison between Shanghai, Guangdong, Fujian and Hubei Free Trade Zones (Shanghai Institute of Technology, 2024)

Results and Recommendations

The cost advantages related to utilities and facilities in Chinese Free Trade Zones (FTZs) play a crucial role in reducing overall export costs through strategic measures and infrastructural benefits. FTZs are positioned in key trade hubs, such as ports and airports, which significantly lower transportation and logistics expenses. Facilities like bonded warehouses allow companies to store goods without immediate customs duties, deferring tax payments until goods are exported or sold domestically. This setup improves cash flow and minimizes initial financial burdens.

Additionally, FTZs streamline customs procedures, enabling faster clearance and reducing administrative delays, particularly for air and express shipments. Companies can also benefit from VAT export rebates for goods transported into the FTZ and subsequently shipped internationally. Combined with lower rental costs for facilities and access to skilled labour at competitive rates, these advantages create a cost-efficient environment that reduces operational expenses and enhances export competitiveness.

Paragraph 4

Research question to investigate in this paragraph:

4. **How might we utilize the current legislation in Free Trade Zones to reduce export costs on board and binding production?**

Analysis

4.1 According to what statute do the Free Trade Zones function?

China's Free Trade Zones are created according to a uniform legal regime established at the level of the central government, each zone modifying those legal regime within local economic requirements. One of the foundations of this framework is the "Free Trade Zone Development Plan," which sets the broad policy direction for all zones. These include measures including, simplified customs procedures, tax benefits for imported goods, and incentives to attract foreign investment

Yet, these general prescription is specifically tailored at a regional level according to the regional economic policy of the region instead of the country in general. For example, the management of the Fujian FTZ is vested in the Fujian Provincial Government, and the main role of the FTZ is to provide the environment for import/export trade and to build supply chain/logistics industry. In contrast, the Shanghai FTZ is regulated by the Special Administrative Provisions on Foreign Investment giving them a priority on financial services, high technology and new logistics. At the same time, legal provisions in Guangdong and Hubei FTZs are put into practice to promote high and new technologies manufacturing, cross-border trade, and eco-friendly industry behaviours.

These frameworks offer a base for companies to improve their operation, reduce their operating costs, and capitalize on incentives to improve their global competitiveness.

4.2 How do these regulations differ across zones?

Although the legislative base of the FTZs is similar, considerable regional disparity exists in order to reflect the specific economic needs of each of those zones. These discrepancies are extremely important for determining the optimal area of activity for each business.

Fujian FTZ: The Fujian FTZ emphasizes trade facilitation and logistics, offering substantial tax benefits for shipping and transportation activities. These policies ensure that it is the perfect option for companies looking to reduce shipping costs and simplify shipment logistics.

Shanghai FTZ: On the basis of a highly innovation-friendly area, the Shanghai FTZ enjoys herein special benefit including a convenient customs clearance and relaxed regulations on foreign investments. These capabilities render it especially desirable for businesses who want rapid customs clearance and a reliable financial infrastructure. (China Briefing , 2023).

Guangdong FTZ: Guangdong's regulations mainly centered around Hong Kong-Macau integration and smooth cross-border trade of businessmen. Tax breaks for imported machinery and raw materials are also common to sustain industries that are heavily dependent on high-grade imports.

Hubei FTZ: Hubei gives high-tech and green manufacturing priority on a large scale, offering subsidies for the research and development (R&D) of a technology and incentive for using energy-saving production technology. These policies are also compatible with companies who are seeking to innovate as well as lower production costs in the long run.

These variations highlight the need to consider, with deliberative intent, which FTZ optimize for a particular operational need, as each zone has its own advantages that lead to idiosyncratic implications for cost structures and system efficiency.

Results and Recommendations

Our analysis indicates that Low Pressure Studio BV can optimize export costs by strategically aligning its operations with the legislative advantages of specific FTZs. Based on the findings:

Fujian FTZ: The tax benefits and expedited logistics regulations, which are in place here, contribute to making this a racehorse in cost reduction for board and binding materials.

Shanghai FTZ: Companies that focus on expedited customs clearance and access to financing networks should give some attention to the innovative policies in Shanghai.

Guangdong FTZ: Cross-border trade emphasis and the machinery-based tax relief create ample opportunities for cost reduction in the production and export processes.

Hubei FTZ: Cooperation with local research and development institutions in Hubei might produce innovations to increase production efficiency and reduce the total cost in the long run.

Through the targeted advantages of those FTZs, Low Pressure Studio BV could not only save cost but also improve the export efficiency and ultimately the competitiveness of the Company in the global market.

Chapter 3: Conclusions

This paper discussed in detail how Low Pressure Studio BV can effectively make use of the Free Trade Zones in China to answer the main research question of this study: How can Low Pressure Studio BV best utilize the Free Trade Zones in China to optimize export efficiency, balancing both cost reduction and delivery time? This was done by conducting an in-depth study through which we outlined the main reasons for usage of the FTZs: geographical advantage, transport systems, tax privileges, and logistic effectiveness. We analysed those advantages and therefore determined which would suit the purposes of Low Pressure Studio better, taking into consideration the details necessary to be presented to our clients in respect of each option.

Our findings indicate that the Fujian Free Trade Zone, especially the Xiamen area, is the most favourable option for Low Pressure Studio. The main reason behind this recommendation is the huge logistical advantage provided by the Fujian FTZ, especially because of its location on the southeastern coast of China. Its proximity to the Xiamen Port, one of the international shipping hubs, means that it is guaranteed added advantages of speed in shipment time, a short distance, and frequency in its departure. This advantage has been paramount for the company's endeavour of trying to reduce the delivery times while also boosting its efficiency for export purposes.

Aside from its geographical advantages, Fujian FTZ presents a variety of cost advantages. The region offers various attractive tax incentives, such as reduced import duties and tax exemptions, which can significantly lower export costs. Besides, the availability of modern storage facilities at competitive rates ensures that Low Pressure Studio can efficiently manage inventory, further reducing operational costs. Streamlined customs clearance and efficient treatment of goods within the FTZ provide grounds for more speedy and reliable export operations. Additionally, it matches perfectly the firm's needs in terms of low-cost logistics.

The second relevant point that could be made here is discussing advantages provided by Fujian as compared to other FTZs. For instance, Shanghai Free Trade Zone enjoys excellent infrastructure in the area of finance and highly developed policies related to high-technology industries. While it excels in attracting high-tech and innovative companies, its focus on these sectors may not directly benefit Low Pressure Studio, which is primarily focused on reducing export costs. Additionally, the congestion at Shanghai’s ports could result in delays and inefficiencies, which would undermine the goal of optimizing delivery times.

Similar to that, with Guangdong Free Trade Zone focused on high-end manufacturing and close proximity to Hong Kong, there is really something quite compelling. However, the main focus of Guangdong Free Trade Zone is in cross-border trade and services, which may not bring as direct a benefit to Low Pressure Studio with their operations. Therefore, Guangdong will, however, be useful in the future if the company chooses to expand its operations into high-end manufacturing or considers developing better cross-border trade relationships. Due to its strategic location near key international trade hubs, it will remain an attractive choice for considerations in the future but does not fit as neatly at this time with the company's near-term objectives regarding optimizing export cost.

Other options, like Hubei, put more emphasis on R&D and technological innovation. While that may be good in the long run for companies seeking to enhance their product development or technological capability, it certainly does not suit Low Pressure Studio immediate need to cut costs and enhance its export efficiency. Without either strong logistical benefits or cost-cutting incentives, Hubei is not as suitable to the company's current needs.

In conclusion, based on the given detailed analysis, Fujian Free Trade Zone – namely the Xiamen area – is the most appropriate place to achieve the two objectives of Low Pressure Studio BV, namely, minimizing export costs and enhancing delivery times. In fact, the region possesses a geographical advantage, tax incentives, modern infrastructure, and effective logistical systems that make it the best-suited for the current activities of the company. On the other hand, Guangdong Free Trade Zone also has potential for future expansion, especially if the company wants to diversify its focus or develop its cross-border trade capabilities. By focusing on Fujian FTZ in the short run and considering Guangdong for further growth, Low Pressure Studio BV will be better positioned for greater success in the competitive international market, with streamlined export operations and optimization of the global supply chain.

Appendices

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Appendix 2: Visuals

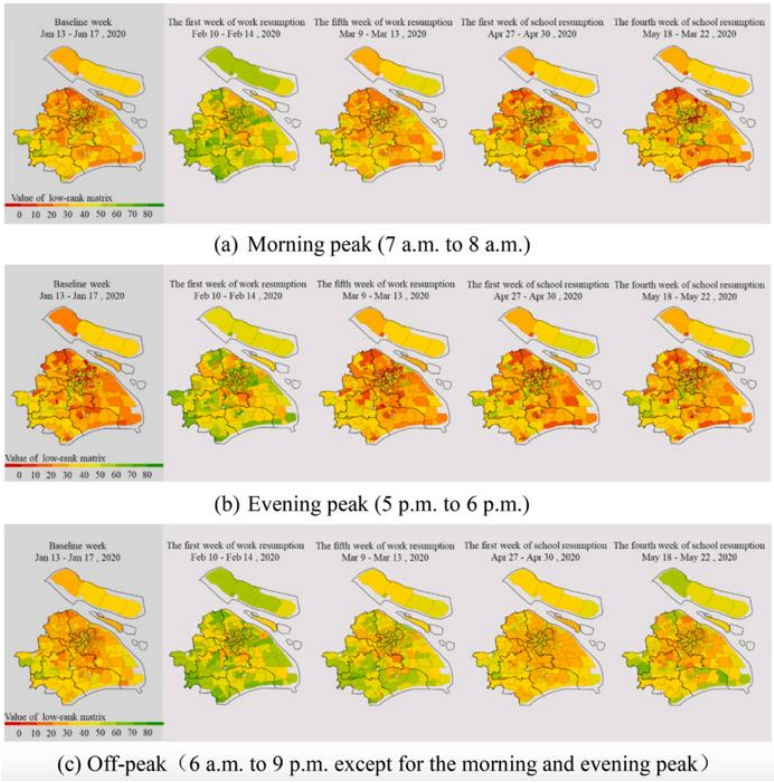

Figure 1: Recorded Traffic in Shanghai During and After Covid 19 (Pengfei Xu, 2021)

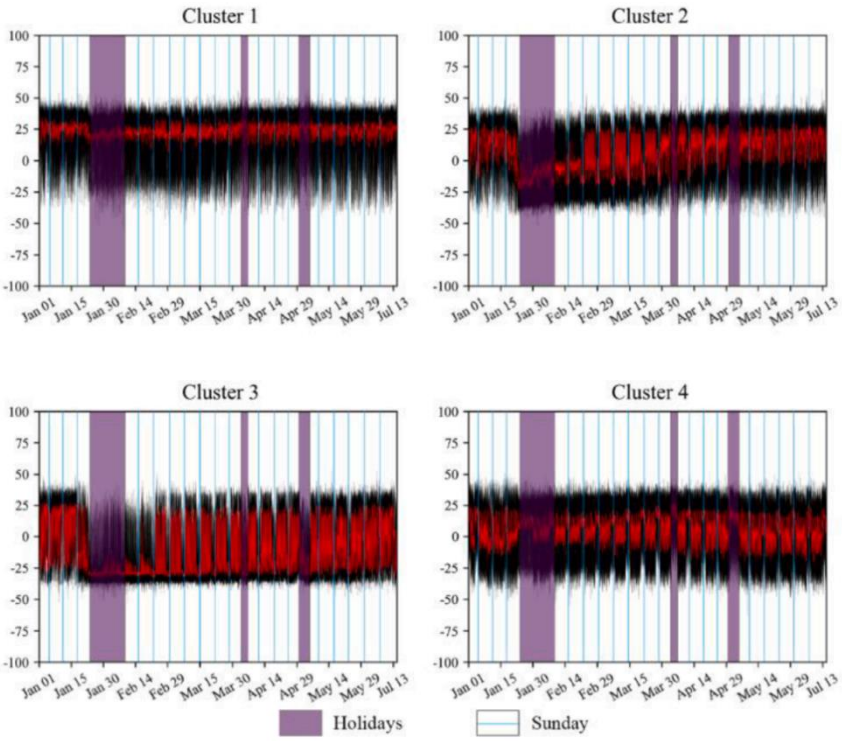

Figure 2: Audio Patterns of Recorded Traffic (Pengfei Xu, 2021)

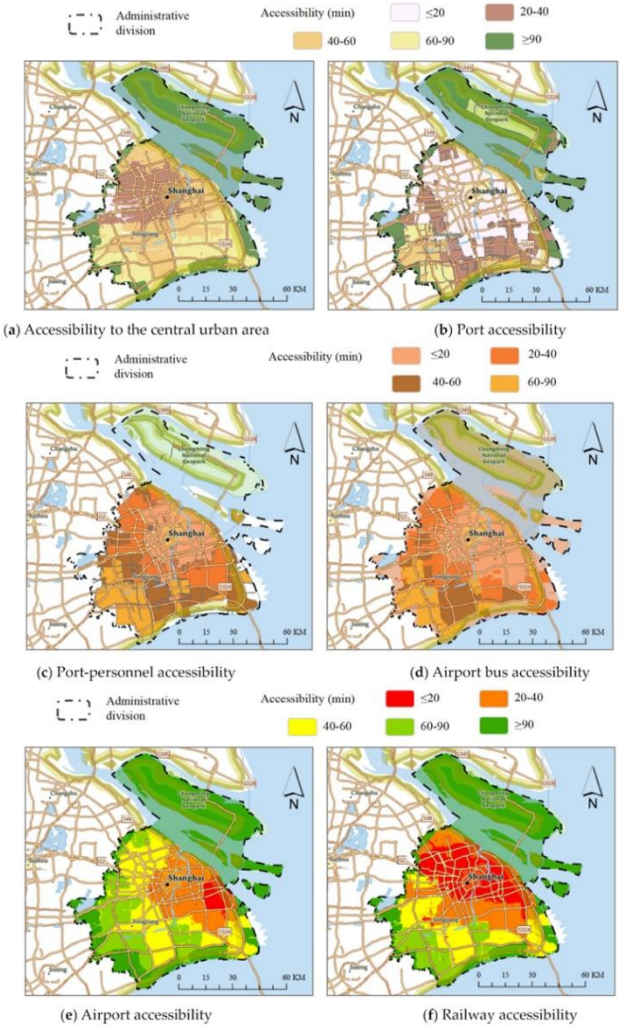

Figure 3: Travel Times via various means of transportation (Yuyang Mei, 2024)

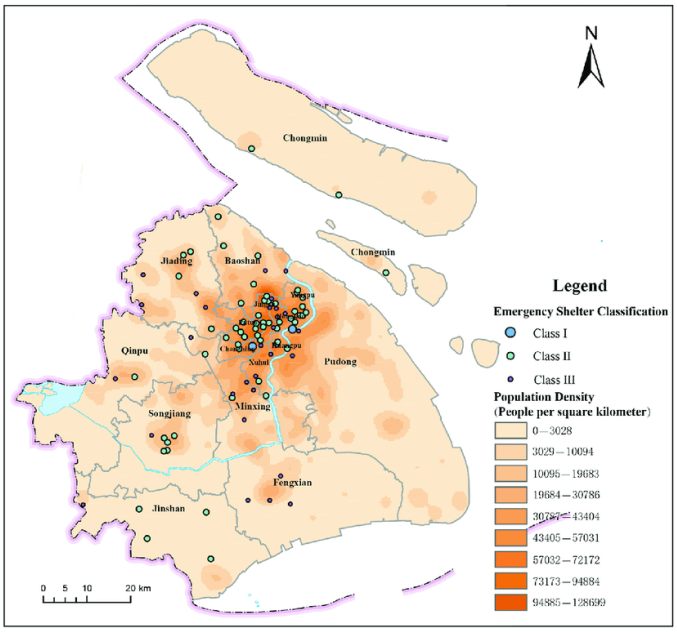

Figure 4: Spatial distribution of population in Shanghai (Xinxiang Wang, 2022)

Figure 5: Cost of Energy in Shanghai (CEIC, 2025)

Figure 6: Cost of Energy in Lhasa (CEIC, 2025)

Appendix 3: Interview Transcript

Interview with Delia Day (戴晨芳)
HR Manager, ECU WORLDWIDE CHINA

Diana Qaddoura: Hello, welcome to the meeting. My name is Diana, and this is my teammate Eddi. Together with our fellow Chinese members Tina and Krystal, they will be helping us conduct this interview with you. First, we would like to ask you for your permission to record this meeting. Do you agree on recording it?

Delia Day: Yes, that's fine.

Diana Qaddoura: Thank you! We are students from the Netherlands studying International Business, currently working on our minor project with the Chinese students from the Shanghai Institute of Technology. We are conducting research about export efficiency for Western companies manufacturing in China. We hope to gain some valuable insights from your experience through this interview. Let's get started.

1. Can you give us a brief introduction about yourself, your position, and the company?

Delia Day: I am the HR Manager at ECU WORLDWIDE CHINA. The company is a global freight forwarding and logistics provider that offers a range of supply chain management services. We specialize in international transportation, offering sea, air, and road freight services as well as warehousing, customs, and other logistics solutions.

2. Impact of Free Trade Zone policy on the logistics industry:

Diana Qaddoura: In your opinion, what are the major impacts of the establishment of the Shanghai Free Trade Zone on the logistics industry? Are these effects positive or negative?

Delia Day: The Shanghai Free Trade Zone has had a significant positive impact on the logistics industry. Its advantageous geographical location and well-developed surface transportation system have positioned it as an essential hub linking both domestic and international markets. The policy incentives, especially in terms of tax advantages, have made it easier to facilitate import/export processes, making trade more efficient and cost-effective.

3. Cost comparison:

Diana Qaddoura: Assuming that the company joined the Shanghai Free Trade Zone, what aspects do you think might reduce the cost? What is the potential for cost reduction compared to the current non-FTZ operating environment?

Delia Day: The Shanghai Free Trade Zone offers an excellent geographical advantage with easy access to both land and sea transport. The zone's tax policies, specifically designed to attract foreign investment, offer substantial benefits, such as preferential tax rates compared to traditional import/export duties. These policies significantly streamline transshipment and customs processes, reducing overall operational costs.

4. Logistics Efficiency in FTZ:

Diana Qaddoura: If the company joins the Free Trade Zone, how do you think logistics efficiency will be improved? Can these improvements be achieved through non-FTZ channels?

Delia Day: Logistics efficiency can be greatly improved within the Free Trade Zone, primarily through streamlined customs procedures and faster clearance times. While some of these benefits could be

achieved through non-FTZ channels, the specific policy advantages, such as faster customs procedures and tax incentives, make the FTZ a more cost-efficient and faster option in the long run.

5. Supply Chain Optimization:

Diana Qaddoura: Do FTZ policies help optimize supply chain management? What are the alternatives for companies that are not part of the FTZ to optimize the supply chain?

Delia Day: Yes, FTZ policies are instrumental in optimizing supply chain management, particularly by offering reduced transit times, simplified customs clearance, and lower tax costs. For companies outside the FTZ, supply chain optimization would require more traditional methods such as selecting reliable freight forwarders, enhancing procurement timing, and improving inventory management.

6. Future Planning:

Diana Qaddoura: Although the company has not joined the Free Trade Zone at present, does it have plans to consider joining in the future? If so, for what reasons? If not, what are the factors impeding this decision?

Delia Day: At the moment, the company has not yet joined the Free Trade Zone. However, we are evaluating the possibility of doing so in the future, especially to take advantage of tax incentives and the operational efficiencies it offers. The main factors impeding this decision are the administrative complexities of transitioning into the FTZ, as well as the need for thorough risk assessments regarding changes in regulatory frameworks.

7. Policy Understanding and Utilization:

Diana Qaddoura: How does the company understand the policy of the Shanghai Free Trade Zone? Has there been any attempt to use the FTZ policy to improve the company's business?

Delia Day: Our company has a comprehensive understanding of the Shanghai Free Trade Zone policies, particularly in terms of their impact on import/export procedures and cost savings. Although we have not fully implemented the FTZ policies yet, we are actively researching ways to leverage them in the future to enhance operational efficiency and reduce costs.

8. Risks and Challenges:

Diana Qaddoura: In your opinion, what are the main risks and challenges that may be faced by joining the FTZ? Have these risks and challenges influenced the company's decision to join the FTZ?

Delia Day: The main risks associated with joining the FTZ include regulatory uncertainties, particularly with the potential for policy changes. Compliance with the complex regulations of the Free Trade Zone can also pose challenges. These risks have indeed influenced our decision-making process, and we are carefully weighing the benefits against the potential operational challenges.

9. General Questions about Freight Forwarding:

Diana Qaddoura: What strategies do you use to minimize warehousing costs for your clients?

Delia Day: We advise our clients on optimal procurement timing and aim for zero inventory at the destination port. By reducing warehouse storage time and ensuring faster transit times, we minimize warehousing costs and improve overall efficiency in the supply chain.

10. Regulations or Compliance Issues:

Diana Qaddoura: Are there any specific regulations or compliance issues that companies should be aware of when considering Free Trade Zones?

Delia Day: Companies operating within Free Trade Zones need to be particularly mindful of strengthened customs and border controls to ensure the legality and safety of imports and exports. Additionally, intellectual property rights protection is crucial, as the FTZs aim to foster fair competition by cracking down on counterfeit goods.

11. Key Factors Influencing Warehousing Costs in China:

Diana Qaddoura: What are the key factors that influence warehousing costs in China?

Delia Day: The primary factor influencing warehousing costs in China is the cost of warehouse rent. Additionally, the logistics process from factory delivery to the dockyard, including the selection of reliable freight forwarders and shipping companies, plays a significant role in optimizing the overall cost structure.

12. Optimizing Logistics to Reduce Delivery Times and Costs:

Diana Qaddoura: How can Western companies optimize their logistics to reduce delivery times and costs in China?

Delia Day: Western companies should select high-quality, reliable freight forwarders to handle the logistics process from factory delivery to the dockyard. By connecting the entire process—customs declaration, shipping, and route selection—companies can ensure faster transit times and cost-effective solutions.

13. Strategies for Minimizing Shipping Costs to the USA:

Diana Qaddoura: What strategies can companies use to minimize shipping costs when exporting to the USA?

Delia Day: Companies should select the appropriate transportation mode based on their shipment volume. For example, using small parcel shipments, Less-than-Container Load (LCL), or whole-container shipments depending on the volume can help reduce costs. Additionally, chartering ships for large shipments can also offer cost savings.

14. Customs and Tariffs for Shipping to the USA:

Diana Qaddoura: How do you handle customs and tariffs for goods shipped to the USA, and how can companies optimize these processes to reduce costs?

Delia Day: Compliance with regulations is key to ensuring the legality of import/export declarations. We work with export companies to provide tailored optimization strategies, considering the nature of the goods, the volume, and the destination. This helps companies reduce costs while ensuring all procedures comply with legal requirements.

Diana Qaddoura: Thank you so much for your time and valuable insights, Delia. We greatly appreciate your support in helping us with our research.