

Hainan moves on with solid steps to build high-level free trade port



The container terminal of Xiuying Port in Haikou, Hainan province. ZHANG MAO / FOR CHINA DAILY

Island plays a vital role in country's opening-up and reform, prosperity

By YUAN SHENGGAO

South China's Hainan province is making full efforts to ensure all the planned preparation projects for islandwide customs clearance operation can be completed on schedule to back up the high-quality construction of Hainan Free Trade Port, according to the Hainan provincial government.

The eighth Hainan Provincial Congress of the Communist Party of China held in late April proposed that Hainan target the islandwide customs clearance operation as the "No 1 project" in the construction of the Hainan FTP.

Leading officials with the CPC Hainan Provincial Committee noted that Hainan will strive to make good use of its free trade port policies and unique geographical advantages to better integrate itself into China's new development paradigm and put Hainan in the forefront for the nation's deep integration with the global economy.

China released its master plan for the construction of the Hainan free trade port on June 1 last year, aiming to build Hainan Island, which is about 32 times the size of Hong Kong, into a free trade port with Chinese characteristics and global influence by the middle of the century and enable the island province to lead the way in China's reform and opening-up in the new era.

The master plan says the Hainan FTP is set to introduce islandwide customs clearance operations by 2025, as part of broader measures to promote trade and investment liberalization and facilitation.

By 2025, the Hainan FTP will adopt



From left: Autonomous driving buses stop on a street in Boao, venue of the Boao Forum for Asia in Hainan. A view of the Dongzhaigang Mangrove Nature Reserve in northeastern Haikou, the provincial capital. PHOTOS PROVIDED TO CHINA DAILY

an import and export management system featuring free flow between the "first line", the boundary between the Hainan FTP and other countries and regions outside China's customs territory, and the "second line" that connects the island to other areas within China's customs territory, with efficient controls.

To reach the goal, Hainan has been striving to have hardware conditions ready for customs clearance by the end of 2023 and complete all preparations for customs clearance by the end of 2024.

Li Yufei, spokesman and deputy director of the Deep Reform Office under the CPC Hainan Provincial Committee, disclosed that guiding documents for port construction, and the customs supervision framework plan of Hainan free trade port have been issued and are being implemented, with preliminary work of port infrastructure construction projects under way.

Li added that the Hainan FTP will also carry out high-level opening-up stress tests to benchmark high-standard international economic and trade rules.

The Hainan FTP anti-smuggling regulations are under legislative investigation.

Feng Fei, governor of Hainan, is heading six special working groups which have been set up to promote the construction of 60 planned "hardware" and "software" preparation projects, Li said.

Hainan FTP has adopted more than 150 policy measures to widen market access and promote trade facilitation and liberalization.

They include a positive "zero tariff" list for free trade port vehicles and yachts, a negative "zero tariff" list for cross-border trade in service and a catalog of encouraged industries, according to the provincial government.

Solid headway in promoting the integration of institutional innovation in fields such as business registration, foreign investment management, trade supervision, and financial opening-up, has facilitated a more open, convenient and efficient business environment for traders and investors.

Wang Lei, executive deputy secretary of the CPC Hainan Provincial



Committee and executive deputy director of its Deep Reform Office, said that institutional integration and innovation are the fundamental driving force for accelerating the construction of the Hainan FTP.

He said Hainan will implement the "zero tariff" and "low tax rate" policies on a larger scale and promote the simplified tax system.

The policy incentives and improved business environment are gathering foreign trade entities which have become the main driver of Hainan's foreign trade, with its growth rate ranking first in the country in the first four months of this year while its trade with the Belt and Road countries doubled, said officials with the provincial government.

Sales of offshore duty-free consumer products continued to rise rapidly and effectively promoted the growth of imports.

The proportion of duty-free goods among the total import value has increased from 20 percent in 2017 to nearly 50 percent to date, according to data from the Haikou Customs.

Statistics from the Hainan Provin-

cial Department of Commerce showed that about 6,000 foreign trade enterprises were newly put on file from January to April, an increase of 144 percent year-on-year.

Paid-in foreign capital reached \$1.04 billion, a year-on-year increase of 54.08 percent, with 87 percent of the funds injected into the modern service industry.

Officials with the provincial government said Hainan will further highlight trade and investment liberalization and facilitation and implement special opening-up policies regarding taxation and the free flow of cross-border investments, talent and materials.

"The tax policy dividends of the Hainan FTP will continue to be released and strengthened. To date, 11 preferential tax policies on the free trade port have been introduced, injecting strong vitality into Hainan's economic and social development," said Yang Lei, deputy director of the Hainan Provincial Department of Finance.

For example, he said, the "zero tariff" policy on self-use production equipment and raw and auxiliary

materials has upgraded Hainan's industrial structure. The "double 15 percent income tax" policies levied on firms and individuals have attracted enterprises and talented professionals.

The upgraded offshore tax-free shopping policy has promoted tourism consumption while the bonded oil policy has promoted the construction of Hainan as an international shipping hub.

Joe Yizhou He, managing director of Australian Capital Equity, has witnessed the progress in Hainan as China accelerated its financial opening-up with a series of policies since 2018.

"The policy implementation has been efficient and the island's business environment has been remarkably improved."

"The special policies in Hainan can facilitate foreign investment into China, as the application procedure and market access requirements have been simplified, and a greater level of flexibility is offered compared with other regions in the country," He said.

According to the master plan, Hainan will establish a modern industrial structure that highlights tourism, modern services and the high-tech industry, and highly efficient tropical agriculture.

Offseason seed-breeding, deep-sea exploration and the aerospace sector will be cultivated as pillar industries in Hainan, based on the unique and natural resources and advantages in the island province.

Hainan FTP will continue to transform its industrial structure to build a modern industrial system during the 14th Five-Year Plan period (2021-25), with the added value of the modern service industry accounting for 54 percent of the service industry by 2025, said Gu Gang, secretary of the CPC Hainan provincial development and reform commission committee and director of the commission.

RCEP and FTP policies bring chain-effect benefits to region

By YUAN SHENGGAO

With the Regional Comprehensive Economic Partnership agreement and free trade port policies beginning to produce chain-effect benefits in Hainan, China's free trade port is expected to become a trade hub linking the domestic market to the RCEP region and the world market as a whole, said experts and officials.

Data released by Haikou Customs showed that Hainan's import from and export to members of the Association of Southeast Asian Nations increased by 42.1 percent, and its trade with other RCEP member countries increased by 43.4 percent in the first four months of this year.

With implementation of the provisions on liberalization and facilitation in both trade and investment, it is widely expected that the RCEP pact, together with the Hainan FTP policies, will generate a superimposed effect in stimulating more opening-up dividends that ensure bright prospects for investors in Hainan, said experts at a recent forum held in Haikou, the provincial capital.

The RCEP agreement, so far the world's biggest trade pact signed in November by 15 Asia-Pacific countries, including all 10 ASEAN member

states 2020, came into effect at the start of the year. Up to now, the agreement is effective for 13 of its 15 signing members.

Since the release of a master plan for the construction of the Hainan FTP in June 2020, a slew of policies and measures have been rolled out to liberalize and facilitate trade in goods and services, secure wider market access to sectors including finance, culture and medical care in a bid to make the Hainan FTP a highland showcasing the nation's economic reform and opening-up.

Wang Bin, head of the Publicity Department of the CPC Hainan Provincial Committee, said the province will grasp the opportunities presented by the RCEP implementation, to better engage in the dual-circulation development pattern, improve resource allocation and enhance its opening-up.

Although there will be challenges and uncertainties ahead, such as the impact of the COVID-19 pandemic, the implementation of the RCEP agreement will create more opportunities for China, especially the southernmost province of Hainan.

Making good use of its unique geographical advantages, FTP policies and business environment, Hainan will benefit significantly from the



An aerial view of the Hainan Resort Software Community, one of the key industrial parks of Hainan free trade port. ZHANG MAO / FOR CHINA DAILY

RCEP, according to Wu Hailong, president of the China Public Diplomacy Association.

Overseas growth of Hainan companies in recent years has shown that Hainan has the foundation and advantages in closer collaboration with RCEP member countries. And there is ample room for two-way investment, said experts.

"Enforcement of the RCEP pact will reduce the tariff on auto parts. Hainan's unique location and the advantages of Hainan FTP policies will remarkably reduce the costs in purchase, production and circulation of auto parts for Haima in the RCEP

region," said Dong Guoqiang, deputy general manager of Hainan Haima Automobile. Haima's export volume to the Southeast Asian market reached 600 million yuan (\$90.03 million) in 2021, a year-on-year increase of 20 percent and the company will seize the opportunity to expand the Southeast Asian market, Dong added.

The Hainan provincial government has released 20 measures to help domestic and foreign enterprises better benefit from and better cope with the new opportunities and challenges brought by the RCEP for the construction of Hainan free trade

port, according to officials with the provincial department of commerce.

The measures are expected to optimize the early policy and institutional arrangements of the Hainan FTP, boost two-way trade and investment, strengthen intellectual property protection, and improve services that support implementation of the RCEP pact.

Chi Fulin, president of China Institute for Reform and Development and head of the Hainan Institute for Free Trade Port Studies, said that Hainan has become the only region in China that enjoys "zero tariff" arrangements in the ternary supply chain that covers the domestic supply chain, RCEP regional supply chain and extra-regional supply chain.

The RCEP pact will strengthen Hainan's regional advantages and provide an opportunity for the Hainan FTP to build an ASEAN-oriented industrial chain and supply chain.

"The RCEP will drive the regional flow of people, logistics, capital and information," said Yu Tao, director of the Hainan FTP research center under the South China Sea Research Institute.

He said that geographical advantages will help Hainan to become a regional aviation and maritime hub.

He believes that enforcement of the RCEP pact can promote cooperation between Hainan and ASEAN members in areas such as blue carbon, marine environmental protection and maritime search and rescue.

Yu's views were echoed online by Ong Tee Keat, a former minister of transport of Malaysia and currently president of the country's Center for New Inclusive Asia, at a recent forum. Ong said that he has seen complementarity between Hainan and Southeast Asian economies in areas of the green and blue economies, such as trade in carbon credits, aquaculture, fisheries and maritime logistics. He took a rosy view of the development prospects of the cooperation between Hainan and Southeast Asian countries under the RCEP framework.

Co-initiated by 17 think tanks in nine Asian countries, the ASEAN-Hainan Free Trade Port Think Tank Network was established on April 21 during the Boao Forum for Asia 2022 Annual Conference.

The network aims to play a positive role in promoting comprehensive cooperation, and economic and trade cooperation, as well as people-to-people exchanges between ASEAN and China by holding forums and activities and developing information sharing platforms, according to the China (Hainan) Reform and Development Research Institute, which has jointly launched the new organization.