



This aerial photo taken in October, 2022 shows a view of the Dongfang Lingang Industrial Park in south China's Hainan Province. It is one of the key parks of Hainan free trade port. — Xinhua



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Peng Yu

Associate research fellow at the Institute of World Economy of the Shanghai Academy of Social Sciences

Trade 'without borders' in southernmost China moves toward bearing fruit

Wan Lixin

In two years, the southern tropical island of Hainan will usher in a unique version of trade without borders.

At the recent Boao Forum for Asia Annual Conference held on the island, authorities told the media that preparatory work on China's newest free trade port is well underway to meet the opening date set forth when the mammoth project was first announced in 2018.

"It will be an area under special, independent customs operations throughout the island, somewhat like Singapore and the Hong Kong Special Administrative Region, but with some differences," said Peng Yu, and associate research fellow at the Institute of World Economy of the Shanghai Academy of Social Sciences.

In essence, there will be a free flow of goods, personnel and transport between the Hainan free trade port and offshore countries and regions. The exception are prohibited goods.

There will also be special controls between the port and the rest of China.

The aim of the free trade port is to deregulate trade, investment, cross-



Tourists visit an international duty free mall in Haikou, south China's Hainan Province. — Xinhua

border capital flows, the entry and exit of people, transportation and data transfer, Peng said.

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Hainan is the smallest of China's provinces. Its balmy weather and sandy beaches are a favorite tourism destination, though its major source of income is tourism, real estate, and agriculture. In addition to tourism, the island province is set to lead in high-tech and modern services.

The benefits for businesses under the free trade port structure are many.

Companies engaged in specified industries will be eligible for preferential tax treatment, including corporate and individual income tax levels lowered to a minimum of 15 percent.

Another major benefit is zero tariffs. After the independent customs operation is up and running, import tariffs will be removed from commodities not listed as "taxable."

There are also major differences from existing trade zones in China.

The Hainan port's preferential tax policies will be unique in China, Peng said. For example, the Lingang Pilot Free Trade Zone in Shanghai limits goods eligible for a 15 percent corporate income tax to four major industries, and there is no preferential treatment on individual income tax. The zero tariff will also be available only in Hainan.

Work on the new free trade port's infrastructure is continuing. Peng said there are also integration issues still to be addressed.

For instance, in the wake of customs changes, the value-added tax will be abolished in favor of a consumption tax in the island. That will require coordination with upstream and downstream suppliers.