

# HAINAN FREE TRADE PORT

## HAINAN OPENS NEW CHAPTER TO THE WORLD

### Special customs operations to help propel free trade

By MA SI and CHEN BOWEN  
in Haikou

The Hainan Free Trade Port begins its much-anticipated island-wide special customs operations on Thursday, marking a landmark move by China in expanding high-standard opening-up and promoting the development of a more open global economy.

The special customs operations, marked by significant tariff incentives and measures promoting free trade, will play a vital role in reinforcing economic globalization and strengthening China's ties with the major markets of the Regional Comprehensive Economic Partnership, international organizations, company executives and experts said.

Feng Fei, Party secretary of Hainan, said the province is working to build the Hainan FTP into a key gateway driving China's opening-up in the new era.

"Choosing Hainan means choosing opportunities. Investing in Hainan means investing in the future," Feng said.

Mohammed Al Zarooni, chairman of the World Free Zones Organization, said, "Hainan province's remarkable journey as China's flagship free trade port offers a real-time case study in innovation, institutional reform and global connectivity."

Hainan's pioneering role as a high-level free trade port and a dynamic hub for trade, sustainability and innovation, highlights China's growing leadership in global trade reform, sustainability and digital transformation, Zarooni added. Starting from Thursday, all of Hainan Island operates as a special customs supervision zone.



Trucks exit a customs clearance area in Xinhai Harbour in Haikou, Hainan province, on Dec 10 during a trial. With prior registration, they are able to complete the inspection process quickly and board ferries to the mainland. LUO YUNFEI / CHINA NEWS SERVICE

Enterprises eligible for special preferential policies of the Hainan FTP will enjoy zero tariffs on certain goods imported from overseas into Hainan.

The scope of zero-tariff goods expands to some 6,600 tariff lines, covering about 74 percent of all tariff lines — an increase of nearly 53 percentage points compared with the level before the policy's implementation, according to the Ministry of Finance.

"These goods can circulate freely among eligible entities within Hainan. If a minimum of 30 percent value-added processing takes place in Hainan, they will be exempt from tariffs when entering China's mainland."

Li Daokui, dean of the Institute for Chinese Economic Practice and Thinking at Tsinghua University, said, "The import tariff exemption policy for products processed in Hainan is crucial, as it significantly boosts Hainan's appeal to compa-

nies as a key manufacturing or processing hub for foreign goods to enter China's mainland."

Fang Aiqing, president of the China Council for International Investment Promotion, said the special customs operations feature more favorable zero-tariff policies for goods, relaxed trade management measures, convenient travel arrangements, and a more efficient and precise regulatory model.

"This is not only a Hainan model for China's special economic zones, but also a valuable contribution to global free trade port development," Fang said.

Chi Fulin, president of the China Institute for Reform and Development, said Hainan is located at the center of the region covering the countries involved in the RCEP, the largest free trade agreement in the world, and serves as China's representative to the Association of Southeast Asian Nations.

"Hainan can serve as a strategic

conduit connecting China's vast domestic market with the large markets of the RCEP, with a particular focus on ASEAN," Chi said.

Jochen Knecht, CEO of the International Free Zone Authority in Dubai, which runs one of the largest free trade zones in the United Arab Emirates, said the Hainan FTP is a gateway to Southeast Asian markets in two aspects.

"It is an opportunity for Chinese companies to find other places to extend their reach, to explore new markets, but also for companies from all over the world to come to Hainan, using Hainan as a gateway into China," Knecht said.

Seeing the big opportunities ahead, foreign and Chinese companies are scrambling to invest in Hainan. DFS Group, a part of French multinational LVMH Group, and Shanghai-based Shenyu Group will jointly build a mega luxury retail complex in Sanya, Hainan. The project is scheduled for completion next year.

Nan Cunhui, chairman of Chint Group, said: "Hainan is an ideal place for investment. We have established our overseas investment headquarters in the province and invested in clean energy projects, including photovoltaic and wind power stations in Haikou, Sanya and Danzhou."

"The exponential growth in clean power demand, driven by artificial intelligence and computing technologies, aligns with Hainan's low-carbon development goals," Nan said, pledging further investments in green hydrogen storage, zero-carbon industrial parks and smart city initiatives.

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### Policy spreads duty-free benefits to more buyers

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As the Hainan Free Trade Port's island-wide special customs operations get underway, the optimization of the offshore duty-free policy, a key step in its opening-up drive, will help turn the island into a consumption hub that offers greater opportunities for both domestic and foreign players, experts said.

Recent updates have expanded product categories, extended the eligibility to more tourists and allowed unlimited purchases for qualified residents, making it easier for residents and tourists to shop, they added.

Hainan's offshore duty-free policy is a tax incentive that allows eligible travelers and residents to buy goods exempt from import duties, value-added tax and consumption tax when departing the island.

Under the updated policy, effective from Nov 1, the range of duty-free goods available offshore has expanded to 47 categories. New additions include pet supplies, portable musical instruments, mini drones and small home appliances.

Domestic products such as apparel, footwear and headwear, ceramics, scarves, coffee and tea may be sold in offshore duty-free shops and qualify for exemptions and refunds of value-added tax and consumption tax, according to a notice issued by the Ministry of Finance, the General Administration of Customs and the State Taxation Administration in October.

"The island's duty-free appeal traditionally relied almost



Consumers purchase beauty products at a duty-free shop in Sanya, Hainan province, on Nov 30. GUO CHENG / XINHUA

entirely on offering travelers access to sought-after international brands at lower prices," said Zhu Keli, founding director of the China Institute of New Economy.

"Now, the updated policy integrates domestic brands into the duty-free system — a move that aligns with the rise of *guochao*, or China-chic, which has been gaining traction and influence among both Chinese and overseas consumers," he added.

Zhu said that Hainan's refined duty-free policy is becoming a practical catalyst for China's consumption upgrade and going global efforts by turning the island into a curated gateway where "Made in China" engages with the world.

The new duty-free policy also extends to outbound travelers. Purchases made by passengers departing Hainan for destinations abroad will count toward

vincial finance department.

For Hainan residents who have departed the island within a calendar year, they can make unlimited purchases of offshore duty-free goods during that year.

For local residents like Weng Huayu, a mother of two living in Haikou, provincial capital of Hainan, the latest tweaks to Hainan's duty-free shopping policy are less about high-end luxury and more about practical household savings.

"As an island resident, the policy optimization has made daily shopping so much more convenient," Weng said. "Things like imported infant formula and diapers for my kids — I can now buy them anytime with immediate purchase and pick-up, as long as I have a record of having left the island. The prices are better, and it's a real quality-of-life benefit."

According to Haikou Customs, the upgraded offshore duty-free policy recorded 2.38 billion yuan in sales during its first month of implementation in November, marking a year-on-year increase of 27.1 percent. The policy drew in 329,000 shoppers, who purchased more than 1.9 million items.

For international brands, Hainan offers a high-traffic, tariff-advantaged gateway into one of the world's most robust consumer markets, said Zhou Mi, a senior researcher at the Chinese Academy of International Trade and Economic Cooperation.

Meanwhile, for Chinese manufacturers, it provides an important platform to test, showcase and elevate their products alongside global peers in front of a broader audience, Zhou added.



**11.42 billion yuan**

The value-added processing policy has generated 11.42 billion yuan in domestic sales and 878 million yuan in tariff exemptions as of November.

**\$9.78 billion**

176 countries and regions have invested in Hainan, with foreign direct investment amounting to \$9.78 billion, with an average annual growth rate of 97%.

**8,098**

A total of 8,098 new foreign-invested enterprises have been established, with an average annual growth rate of 43.7% over the past five years.

**27.06 billion yuan**

As of September, the Hainan Free Trade Port's three "zero-tariff" lists had facilitated 27.06 billion yuan in imports, with 5.09 billion yuan in tax savings.

**102.5 billion yuan**

Over the past five years, the Hainan Free Trade Port has opened up, with actual foreign investment of 102.5 billion yuan.

**2.3 million**

A total of 17,600 takeoffs and landings of international passenger flights have been recorded so far this year as of Dec 17, with passenger throughput on international routes reaching 2.3 million, representing year-on-year increases of 21% and 32%, respectively.

**\$3.17 billion**

As of October this year, 296 new enterprises had been registered for outbound investment, with actual investment amounting to \$3.17 billion, representing year-on-year increases of 43% and 42.6%, respectively.

