

BUSINESS

# Hainan to reap opening-up dividends

New master plan for the free trade port attracting firms around world, shaping island province into global investment hub

By MA ZHIPING in Haikou  
mazhiping@chinadaily.com.cn

Foreign investors are flooding into the Hainan Free Trade Port as implementation of a master plan with attractive policy incentives have been unfolding step by step, generating huge opportunities and a wide range of benefits for high-end individuals and corporations at home and abroad.

China released a master plan for the development of Hainan Free Trade Port on June 1. It provided a long list of opening-up policies aiming to build Hainan Island, which is about 49 times the size of Singapore, into a globally influential free trade port by the middle of the century.

The master plan, together with a number of implementation plans issued in the past two months by ministries under the State Council and the Hainan provincial government, provide incentive policies and attractive options such as a low income tax rate for individuals and corporations.

The rate is set at a maximum of 15 percent compared to 17 percent in Hong Kong. The new moves will encourage facilitation of capital flows, expansion of duty-free coverage for goods purchased on the island, and the development of tourism, modern services and high tech industries.

Industry experts said the Hainan free trade port and reform plan is a new example of market-oriented reform policies implemented throughout China in recent years.

Data from the Hainan provincial department of commerce showed that from January to June, a total of 203 foreign enterprises were set up in Hainan, up 24.54 percent year-on-year, with 50 of them established in June.

The investors came from 30 countries and regions including leading multinational companies such as the Rio Tinto Group from the United Kingdom, energy giant EDF from France and the Charoen Pokphand Group from Thailand.

Newly registered companies hit a record of 75,000 from January to August, a year-on-year increase of 75.26 percent, the highest growth rate in the country, according to the provincial market supervision administration.



Cargo is being unloaded from a ship docked at a port in Haikou, capital of Hainan province, on Aug 25. YUAN CHEN / FOR CHINA DAILY

“We have keenly felt the ‘heat’ of interest from overseas business people toward Hainan FTP in the past two months,” said Frederick Mang, Hainan Office Lead Partner with PricewaterhouseCoopers Zhong Tian LLP, the first international service company to settle in Hainan in May, 2018.

Mang said a large number of foreign companies have contacted his Haikou PwC office, showing a strong intention to start operations in Hainan Island, which covers 35,400 square kilometers.

Xiang Weiming, global vice president of GE in the United States and president and CEO of GE China, told Shen Xiaoming, the governor of Hainan during a recent working meeting in Haikou, the provincial capital, that GE will push forward in-depth cooperation with Hainan in such fields as aviation, medical service, clean energy and remanufacturing.

Genting Cruise Lines, a division of

Genting Hong Kong, announced last week it is working to forge a strategic partnership with Sanya to launch domestic cruise itineraries out of the central cruise hub of Hainan. It will also support the development of a free trade pilot cruise tourism zone on Hainan Island.

“We are keen on supporting the Chinese government’s efforts in rebuilding its travel and tourism sector by providing a safe and care-free vacation option for consumers,” said Kent Zhu, president of Genting Cruise Lines.

More than 70 international innovative medicine and medical equipment manufacturers have entered their names for an everlasting exhibition that displays the latest and advanced drugs and devices that have not entered the Chinese market, said Gu Gang, administration head of the Boao Lecheng International Medical Tourism Pilot Zone.

The zone was the only one of its kind in China that enjoys special

preferential policies such as special permission to import medical technology, medical equipment and medicines that are not yet allowed in other parts of the country.

Gu said that the implementation of the Hainan free trade port preferential policies such as zero tariff, low tax rates and a simplified tax system will draw more big international pharmaceutical companies and professionals to the pilot zone.

The boom of foreign investment is expected to continue as more specified implementation plans roll out one by one and an increasing number of promotions are made at home and abroad, online and offline, said local government officials.

“As it presses ahead with the construction of a free trade port, Hainan will become a new high in China’s opening up,” said Bernard Dewit, chairman of the Belgian-Chinese Chamber of Commerce, at an online business promotion conference last week.

Patrick Nijs, former Belgian Ambassador to China and co-founder of the EU-China Joint Innovation Center, expressed his optimism in Hainan-Belgium cooperation in the future. He said Belgium is willing to develop together with Hainan and share the development opportunities of the free trade port construction.

Centrally administrated State-owned enterprises from the transportation, tourism, energy and infrastructure sectors have also enlarged their presence in the Hainan FTP.

The State-Owned Assets Supervision and Administration Commission, the nation’s top asset regulator, said that more than 40 central SOEs and their subsidiaries have launched regional headquarters and business units across the province with 47 billion yuan (\$6.72 billion) of registered capital.

More than 100 SOEs are expected to enter Hainan FTP in about three

years, according to the provincial government.

On the government front, the island province, which connects the world through 103 international air routes and has a population of 9.4 million, will continue to build a fair business environment for global investors that is hailed for system integration and innovation to ensure efficient and high-quality collaboration.

Building a first-class business environment is a key measure to transform government functions, upgrade service, improve the way government officials perform their tasks, and enhance people’s sense of gain, satisfaction and happiness, Liu Cigui, secretary of the CPC Hainan provincial committee, said at the mobilization conference on creating a first-class business environment for Hainan Free Trade Port held in Haikou last week.

He added that “we must see to it that high-quality and high standard requirements are implemented throughout each project and reflected in each link of the process”.

“Hainan’s institutional building and progress will cultivate a more open and fairer business environment, further boosting market vitality and internal growth momentum of the economy,” said Xia Feng, executive director of the Institute for Advanced Studies of Humanities and Social Sciences at Hainan University.

He said in the long term, the Hainan FTP will become a comprehensive demonstration zone for economic circulation in terms of cross-border trade and those between Hainan Island and other parts of the Chinese mainland.

“Hainan will play a key role in Southeast Asia if all key factors needed for boosting Hainan to its new leading position shall be implemented,” said Yuval Golan, CEO of Unique 1 Asia Ltd, a consulting and investment firm operating in Hainan.

He believes reform of government services will help remove all hurdles and red tape for both domestic and international companies and citizens. “The master plan will make Hainan a hub for innovation, sustainability and true high-quality level of living.”

## Development zone set to bring more benefits for local companies, residents

By MA ZHIPING in Haikou

The development of Hainan Free Trade Port is drawing a much desired blueprint for locals, tourists and business people as a whole.

Xiao Wang, a 30-year-old taxi driver in Haikou, capital of Hainan province, has great expectations for a happier life on Hainan Island following the release of the master plan on the Hainan Free Trade Port, which entered its 100th day of implementation on Tuesday.

“I will work hard to try to afford for my three-month-old son to attend the newly opened Harrow Haikou school and maybe later earn a foreign university degree without going abroad,” he said.

The young father has kept close watch for any information and changes brought by the master plan, including new business opportunities for himself and better schooling opportunities for his child, as the Hainan FTP strives to turn the island into a premier destination for international education projects.

Hainan has become one of the hottest tourist destinations, as the COVID-19 epidemic is now mostly subdued domestically and travel restrictions were lifted in large parts of the country.

More than 90 percent of the rooms were fully occupied in the Yanglong Bay and Haitang Bay for most of July and August in two clusters of five-star international brand hotels, according to Deng Yongbo, secretary-general of the Sanya Tourism Federation.

Hainan’s unique tropical tourism resources were seen as a factor that has fueled the robust travel boom, when the epidemic had blocked people from international travel. But the real bargain was the newly upgraded offshore duty-free shopping policy incentives grant-



Consumers check out bags at a duty-free store in Sanya, Hainan province, in July. ZHANG JINGANG / FOR CHINA DAILY

ed by the central government to promote development of the Hainan FTP.

From July 1, Hainan has increased its annual tax-free shopping quota from 30,000 yuan (\$4,392) to 100,000 yuan per person. The number of duty-free goods categories has also expanded from 38 to 45, with products such as mobile phones, laptops and wine products added to the list.

“Business in August, the summer vacation period, was even more brisk than the traditional spring festival period. The highest daily passenger flow reached 40,000,” said Zhao Jing, assistant director of the marketing department of Sanya Duty-free Shopping Complex. It is the world’s largest single duty-free shop, with a

total area of 120,000 square meters and showcasing more than 350 international luxury brands.

“I thought the upgraded 100,000 yuan quota was a big sum. But it was used up so quickly and I’m looking forward to enjoying my quota for next year,” said Liu Yue, a tourist from Chengdu, Sichuan province. She appreciates the new policy that allows for greater choices of luxuries.

Data from Haikou Customs showed that Hainan’s duty-free sales exceeded 5.58 billion yuan from July 1 to Aug 31, up 221.9 percent on a yearly basis.

Officials with the Hainan provincial commerce authority said the new policy is expected to play a role in winning back consumers who

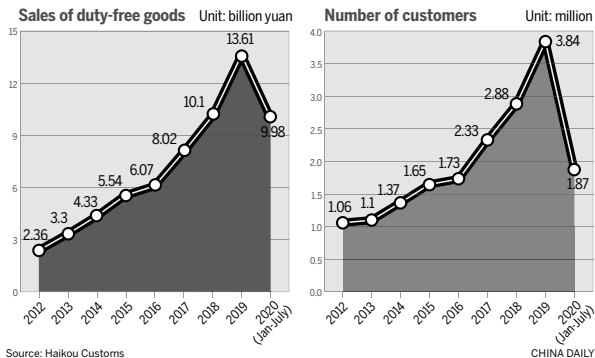
used to buy high-end products overseas.

Hainan currently has four offshore duty-free shops. Two are in Haikou, one in Qionghai and the other one is in the popular resort city of Sanya, where the island province plans to build more duty-free shops.

Xie Xiangxiang, an associate professor of tourism at Hainan University, said the new policy is unlocking the consumption power of high-end Chinese consumers.

“Building of more duty-free shops in Hainan FTP will encourage competition, which will in turn create better shopping experiences for customers, bringing in richer varieties of brand goods, lower prices

### Hainan offshore duty-free shopping 2012-2020



through promotions, and better services,” said Xie.

He said Hainan residents have more to expect from the positive list of duty-free goods, which will be released later this year. “It will make it possible for local residents to buy goods of international brands and improve the quality of daily life”.

Policies boosting the development of the Boao Lecheng International Medical Tourism Pilot Zone have also generated much needed help to people with serious illnesses in and outside Hainan Island.

The pilot zone, established in 2013 to explore the country’s development of international medical tourism-related businesses and services such as licensed medical treatment, cancer prevention and treatment, has imported more than 100 kinds of innovative drugs and medical devices that are not yet marketed in other areas in China.

The drugs cover mainly cardiovascular medicines, ophthalmology, dermatology, plastic surgery, oncology and infectious diseases, according to the pilot zone administration.

The zone, among its many pioneering efforts, has introduced the

country’s only “global franchise licensed drug insurance”, an innovative medical insurance which makes it possible for people to access advanced foreign medicine and devices without going abroad and at a much lower cost.

The insurance covers 70 anti-cancer drugs worldwide for 35 common cancers, including 49 that have not been approved for sale in the Chinese market.

The annual premium for Hainan residents is only 29 yuan per person, and the insurance proceeds could be one million yuan. More than 600,000 islanders have bought the insurance policy since its launch on Aug 2.

“Yet, the big pie of favorable policies in Hainan FTP has just started to unfold. The 15 percent ceilings for both personal income tax and corporate tax, and the huge opportunities for business and career development in Hainan, is certain to overflow in unprecedented profits and benefits for people in Hainan and those who have come from afar,” said Xie, adding that “the jobs thereby created will benefit locals a great deal”.