

World Maritime University

The Maritime Commons: Digital Repository of the World Maritime University

World Maritime University Dissertations

Dissertations

8-24-2019

Appraisal of China Hainan free trade zone(port)-comparing with other ports in the same area

Baoxin Hu

Follow this and additional works at: https://commons.wmu.se/all_dissertations



Part of the [Economic Policy Commons](#), [Regional Economics Commons](#), and the [Transportation Commons](#)

This Dissertation is brought to you courtesy of Maritime Commons. Open Access items may be downloaded for non-commercial, fair use academic purposes. No items may be hosted on another server or web site without express written permission from the World Maritime University. For more information, please contact library@wmu.se.

World Maritime University

**Appraisal of China Hainan free trade zone(port)
-Comparing with other ports in the same area**

Submitted by: Hu Baoxin

Supervisor: Professor Liu Wei

**International Transport and Logistics
*June, 2019***

Declaration

I certify that all the material in this research paper that is not my own work has been identified, and that no material is included for which a degree has previously been conferred on me.

The contents of this research paper reflect my own personal views, and are not necessarily endorsed by the University.

(Signature): Hu Baoxin

(Date):2019.06.15

TABLE OF CONTENT

DECLARATION	1
ABSTRACT	4
1. INTRODUCTION	5
1.1 PREFACE	5
1.2 RESEARCH BACKGROUND.....	6
1.3 RESEARCH PROPOSAL	7
1.4 RESEARCH METHODS.....	8
2. LITERATURE REVIEW & CONCEPTUAL DEVELOPMENT	9
2.1 LITERATURE REVIEW	9
2.2 CONCEPTUAL DEVELOPMENT	11
2.2.1 Free Trade Zone.....	11
2.2.2 Free Trade Port.....	13
2.2.3 The relationship between the Free Trade Zone and the Free Trade Port	14
3 INTRODUCTION TO HAINAN FREE TRADE PORT	15
3.1 NATURAL ENVIRONMENT	15
3.2 TRANSPORT ENVIRONMENT	17
3.3 ECONOMIC ENVIRONMENT.....	18
3.4 INTERNATIONAL STATUS	19
4 COMPARATIVE ANALYSIS	21
4.1 COMPARATIVE ANALYSIS OF DOMESTIC REGION.....	21
4.1.1 Hong Kong.....	21
4.1.2 Guangzhou	23
4.1.3 Shenzhen	26
4.2 COMPARATIVE ANALYSIS OF OTHER ASIA REGION	29
4.2.1 Tanjung Pallapas	29
4.2.2 Singapore	31
5 SWOT ANALYSIS BASIC ON COMPARIMENT	34
5.1 STRENGTHS	34
5.1.1 Geographical strengths	34

5.1.2 Industrial strengths	35
5.2 WEAKNESS	36
5.2.1 Lack of practical experience	36
5.2.2 Lack of talent.....	38
5.3 OPPORTUNITIES	38
5.3.1 Economic opportunities	39
5.3.2 Political opportunities.....	40
5.4 THREATS.....	42
5.5 ANALYSIS TABLE.....	43
6 CONCLUSION, SUGGESTIONS AND OUTLOOK	44
6.1 CONCLUSION	44
6.2 SUGGESTION.....	44
6.2.1 Advice on seizing opportunities.....	44
6.2.2 Suggestions for improving the disadvantages	47
6.2.3 Suggestions conclude into SWOT analysis table	49
6.3 OUTLOOK	50
REFERENCE.....	51

Abstract

Hainan Province has experienced a rapid development in a comprehensive way since the establishment of special economic zones for over 30 years to date. Under the initiative launched during the 19th National Congress of the Communist Party of China to shape a new pattern of comprehensive opening up and driven by the decision of the Party Central Committee to support the construction of a free trade pilot zone in Hainan on the 30th anniversary of the establishment of the Hainan Special Economic Zone, Hainan's development has been taken to a higher level. After one year of preparation, Hainan is now transformed from a free trade zone to a free trade port.

In this study, the natural environment, traffic conditions, economic state and international status of Hainan Free Trade Zone(Port) are the focus of our analysis, which is followed by a comparison drawn of Hainan Free Trade Zone(Port) with Hong Kong Special Economic Zone, Guangzhou, Shenzhen, Singapore and some other regions. Then, according to SWOT analysis, strengths, weaknesses, opportunities and threats of Hainan Free Trade Zone(Port) are identified, based on which suggestions are made on how to seizing opportunities and address the weakness and threats. Meanwhile, reference is provided for future research and development.

keywords: Special economic zone; Hainan Free Trade Port; Regional comparison

1. Introduction

1.1 PREFACE

The Free Trade Zone is also known as the Free Trade Area. The state will develop and enforce certain preferential policies to facilitate the development of the Free Trade Zone. The most prominent one is offering tax incentives. In August 2013, the first-ever free trade zone was established in Shanghai, which is the now Shanghai Free Trade Zone. It achieved a fast-paced growth within as little as one year, during which lots of experience was accumulated. This laid a foundation for the country to establish another 12 free trade zones subsequently. Hainan is among them. Distinct from other free trade zones, Hainan is reputable as a Free Trade Port, which is classed as free trade zone with its unique characteristics. The Free Trade Port is dominantly located at the gateways connecting domestic and overseas regions, for which it benefits from the special economic conditions. Since its establishment, Hainan Free Trade Port has engaged in the import and export of a substantial amount of commodities, from which a relatively large profit margin can be made. This is conducive to stimulating economic growth for Hainan Province as a whole. Over this course, Hainan Free Trade Port has encountered both opportunities and challenges. How to grow the economy with its own characteristics taken into account, seize opportunities and overcome obstacles is attracting a great deal of attention from the relevant fields. Performing a comparison of the current state of other special economic zones such as Hong Kong, Shenzhen and Singapore can give us some inspiration regarding the future development

of Hainan Free Trade Port.

1.2 RESEARCH BACKGROUND

The establishment of free trade zones and free trade ports present both opportunities and challenges. Shenzhen, Hong Kong, Singapore and other free trade zones have the characteristics unique to them. Their success in achieving a rapid growth within a short period of time is largely attributed to the organic combination of their own characteristics to identify and adopt a suitable growth model. However, in the process of development, it's inevitable to encounter problems. How to take full advantage of the preferential policies granted by the state for the good of the free trade zone, how to grasp the opportunities of development, and how to avert risks as well as address the weaknesses are the challenges facing the regulator of the trade zone for its further development. The report published on the 19th National Congress of the Communist Party of China stated that "promoting the formation of a new pattern of comprehensive openness" and "granting the free trade pilot zone greater autonomy in enforcing reform and exploring the construction of a free trade port." Considering a large number of coastal cities distributed across China and the abundant port resources, the free trade zone will be further constructed to be in line with the developmental trends of the Free Trade Port. Under such a context, the establishment of Hainan Free Trade Port has been placed with high hopes. Hainan Free Trade Port is regarded as a significant gateway to developing economic and trading relationships with the outside world. Its own characteristics are self-evident. From Hainan Free Trade Zone to Hainan Free Trade Port, it takes as little as one year to accomplish the

transition. Despite the remarkable results that have been achieved, it has also encountered some problems. In this sense, the examination conducted of the overall model of Hainan Free Trade Port has been made a focus of attention for research.

1.3 Research proposal

This research is conducted based on the gathering of a substantial amount of information, for which it gains a certain understanding of the current state of how free trade zones and free trade ports are constructed both at home and abroad. It is discovered that the development of free trade zones and free trade ports usually requires consideration to be given to local characteristics to identify a suited growth model. Since the Hainan Free Trade Port is newly founded, everything remains at an exploratory stage. Therefore, in this study, an analysis is performed of the characteristics unique to Hainan Free Trade Port for comparison with a number of other typical free trade zones, based on which strengths, weaknesses, opportunities and threats exhibited by Hainan Free Trade Zone are identified, which provides reference for its future development. The specific research objectives are set as follows.

Firstly, the research conducted in this paper reveals the state of development for the Hainan Free Trade Port from the perspectives of natural environment, traffic conditions, economic state and international status, which provides a significant theoretical and practical basis for the further development of the Hainan Free Trade Port.

Secondly, through the research carried out in this paper, we can have a clear understanding as to the major disparities between the Hainan Free Trade Port and Hong Kong, Guangzhou, Shenzhen, as well as various foreign free trade zones such as Tanjung Pelepas and Singapore, for the further exploration of the Hainan Free Trade. The strengths, weaknesses, opportunities and threats associated with others provide a vital reference for the exploration of the growth model of the Hainan Free Trade Port.

Finally, by performing this study, we can make practical suggestions for the development of the Hainan Free Trade Port and other free trade ports across the globe.

1.4 Research methods

This research is conducted mainly using the literature research method and SWOT analysis. Literature research method which is referred to primarily as the process of collecting, identifying, and collating the relevant literature, in order to gain a scientific understanding of the facts through a research into the literature. This method is regarded as an ancient but significant method of scientific research. After consulting a large number of relevant documents on Free Trade Port, the Hainan Free Trade Port was selected as the research object, and the state of development for Hainan Free Trade Port is thoroughly examined through literature review. Beyond that, the SWOT analysis is used for further research. The strengths, weaknesses, opportunities and threats of Hainan free trade port are analyzed by performing comparison with Shenzhen

and other free trade ports. Besides, the strategies of making full use of the strengths and opportunities, also addressing the weaknesses and threats are presented considering the characteristics of the Hainan free trade port.

2.LITERATURE REVIEW & CONCEPTUAL DEVELOPMENT

2.1 LITERATURE REVIEW

In the wake of China launching the "One Belt, One Road" initiative, the focus of research has been shifted to the free trade zone. Wang Wenyong (2017) carried out an in-depth analysis of the Ningbo Free Trade Zone and the Free Trade Zone under the context of the "One Belt, One Road" initiative, and drew on the experience accumulated by those foreign free trade zones such as the Freeport of the Port of Hamburg, the UAE-Dubai Free Trade Zone and the Freeport of Rotterdam, Netherlands. By studying the 11 free trade zones that has been granted approval for establishment, with the Shanghai Free Trade Zone in particular, the main influencing factors in the development of the free trade zone, domestic and international factors, obstacles and solutions are identified. As argued by Li Meng (2017), the free trade zones in China has similar background and functional value to the "One Belt, One Road" initiative,

which is a macro-strategy that integrates free trade zones in various regions and promote the overall progress of China's free trade zones. Li Zhang (2018) exemplified the Guangdong Free Trade Zone to conduct study of the financial open innovation in the free trade zone under the context of the “One Belt and One Road” initiative.

As a free trade zone, the Free Trade Port has advanced its relevant research. Wang Hai (2018), who took the Hong Kong Free Trade Port as a reference, holds the view that Shenzhen Free Trade Port can function as a free trade port for Shekou goods and a free trade port for Qianhai, and facilitate the free flow and efficient allocation of resources available in the Mainland and Hong Kong, thus forming Shenzhen and Hong Kong. The Freeport will be combined to ensure the coordinated economic growth for the Dawan District made up of Guangdong, Hong Kong and Macau and the Guangdong-Hong Kong-Macao coastal metropolitan region. Ding Honglin (2018) proposed countermeasures for Hainan to construct the island's free trade zone and the world's largest free trade port, which consists of four hubs including logistics and transportation hub, personnel circulation hubs, cultural exchange hubs, as well as creative incubation hubs, and to attract high-end talents. Facilitating the agglomeration of advantageous resources, promoting the collaboration between government agencies and enterprises to integrate urban and rural development for Hainan, etc., provided a reference for the proposed research. Through a study on the free trade port in Singapore, Wang Sheng et al. (2018) found out that its superior geographical location and open free trade port policy have played a crucial role in its fast-paced yet sustainable economic development.

To sum up, not only does the establishment of the Free Trade Zone and the

Free Trade Port conform to the macro climate of China's "Belt and Road" initiative, it also signals a major trend of global economic growth. The Hainan Free Trade Port is newly established, for which the relevant research remains limited, especially when compared with the typical free trade port. In this study, an analysis is carried out of the characteristics of the Hainan Free Trade Port in a comprehensive way. Besides, a comparative analysis is performed as well to provide reference for in-depth research in the future.

2.2 CONCEPTUAL DEVELOPMENT

2.2.1 Free Trade Zone

The free trade zones mentioned in the relevant research are mostly defined in accordance with narrow concepts, and involve preferential taxation enforced in some certain countries or specific geographical regions of a certain country, for instance, tax protection measures, income tax incentives, etc., special regulatory measures and areas of convenient finance, foreign exchange and other measures. In China, the first-ever free trade zone established is the Shanghai Free Trade Zone, which has serve to drive Shanghai's economic growth to a new level within a short space of time. Shortly afterwards, Tianjin, Guangdong, Fujian, Chongqing and other regions were all granted approval for the establishment of free trade zones, which led to a series of remarkable results. Among them, the Shanghai Free Trade Zone, as China's first-ever free trade zone, has acquired plenty of valuable experiences in this regard, indicating its feasibility. Therefore, the success achieved by the Shanghai Free

Trade Zone has a massive influence on the subsequent establishment of the three free trade zones that are located in Guangdong, Tianjin and Fujian, respectively.

The trend of free trade zone has been spread at a fast pace on a global scale. Globally, the typical free trade zones are represented by Panama, Philippines, and Cologne, which all have made significant contribution to the development locally and the growth of global economy. Currently, the world-renowned free trade zones are listed in the following table.

Name	Country, region, city
Jebel Ali Free Zone	Dubai
Panama Cologne Free Trade Zone	Panama, Cologne
EU and Mexico Free Trade Area	Austria, Belgium, Bulgaria, Cyprus, Croatia, Czech Republic, Denmark
China - ASEAN Free Trade Area	China, Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Myanmar and Cambodia
China Free Trade Zone	China Shanghai, Guangdong, Tianjin, Fujian, Liaoning, Zhejiang, Henan, Hubei, Chongqing, Sichuan, Shaanxi, Hainan

Table 2-1 Current world famous free trade zone

2.2.2 Free Trade Port

The Free Trade Port falls into the category of free trade zone. It is defined as a specific area that is located outside the territory of a country (region), where merchandises and funds are allowed complete freedom to enter and exit, and a majority of them are exempt from customs duties. At present, it represents the highest level of special economy around the world. Ribbon, Hong Kong, Singapore, Rotterdam and Dubai are all regarded as free trade ports. Such a definition demonstrates that establishing Free Trade Port reflects an in-depth exploration of the free trade zone. In addition, it is premised on its own unique characteristics to construct a trading port for importing and exporting materials, which is extremely crucial to conducting import and export trade. In March 2017, the State Council started to launch the "Reform and Deepening China (Shanghai) Pilot Free Trade Zone Reform and Opening Program" (Guo Fa [2017] No. 23), where the special customs at Yangshan Bonded Port Area and Shanghai Pudong Airport Comprehensive Bonded Area were highlighted. Within the regulatory area, a free trade port area is designated. In 2018, the state granted approval to Hainan for the construction of a free trade port, and offered support to Hainan with the purpose to gradually explore and steadily promote the construction of free trade ports with Chinese characteristics. Also, it was aimed at putting in place a free trade port policy and institutional system in stages to ensure the comprehensive and in-depth economic growth for the entirety of Hainan as a island-based province.

2.2.3 The relationship between the Free Trade Zone and the Free Trade Port

Free Trade Port is deemed extraordinary as a form of Free Trade Zone. In comparison to Free Trade Zone, Free Trade Port is entitled to a higher degree of freedom, for which its preferential policies are often more positive.

Regarding trade and circulation freedom, free trade zone places its focuses on the circulation of goods, as a result of which it has less involvement in the remaining circulation types. In addition to the circulation of goods, Free Trade Port permits free circulation of funds, services and information. In respects of market intervention, all businesses conducted within the free trade zone are mandated to undergo industrial and commercial registration and review. While free trade port is mainly service-oriented, for which administrative intervention play a auxiliary role. Thus, it relies on market regulation and industry-owned management. In addition, the freedom of settlement of Free Trade Port is also higher than that in Free Trade Zone. Comparatively, the foreign port entry policy enforced in Free Trade Port is less stringent. Besides, Free Trade Port also has the policy of landing signing in place, which makes foreign trade more convenient and faster.

Despite the higher degree of freedom enjoyed by Free Trade Port, a higher level of environment in all aspects is needed for its establishment. The free trade port in Singapore and Hong Kong adopts the port city model. Instead of referring to a tiny area as a trading port, the Gangcheng model uses the entire city as a port dedicated to trading, allowing residents to purchase duty-free goods, while ensuring a self-owned business system is implemented.

3 Introduction to Hainan Free Trade Port

The Hainan Free Trade Port is a free trade pilot zone as well as a free trade port with distinct Chinese characteristics. It represents a major decision made by the Party Central Committee who places focus on both international and domestic development, conducts in-depth research, gives overall consideration and makes scientific planning. Established on April 13, 2018, it represents the latest free trade port in China. Therefore, Hainan Free Trade Port is faced with not only unprecedented opportunities but also big challenges. In this chapter, a comprehensive analysis of Hainan is performed from various perspectives such as natural environment, traffic conditions, economic climate as well as international positioning. The characteristics of the Free Trade Port will then be identified.

3.1 Natural environment

Located in South China, Hainan is the southernmost province and city across China, covering a total area of 33,900 square kilometers and a sea territory of about 2 million square kilometers. It is comprised of Hainan Island and Xisha Islands, Nansha Islands, and Zhongsha Islands. The sea territory is abundant in a wide variety of natural resources.

Firstly, Hainan possesses abundant land resources. It covers a total land area of 3.442 million hectares and dominated by the tropical maritime monsoon climate, which allow various plants to grow rapidly and thus have a relatively

short maturity cycle. In particular, crops can be harvested 2-3 times annually, making it a major province for the supply of agricultural products. At present, the land resources developed in Hainan Province reaches about 3.152 million hectares. Nevertheless, approximately 10% of the land resources in Hainan remain undeveloped. Therefore, the conditions for follow-up development are made available.

Secondly, Hainan Province possesses abundant plant resources. Due to the uniqueness of climatic conditions in Hainan Province, plants grow rapidly and are diversified in variety. Up to now, there are over 4,000 species that have been discovered in Hainan. Of them, about half are classified as having high medicinal and economic value for cultivation as crops.

In addition, animal resources in Hainan Province are equally rich. There are more than 500 varieties of terrestrial vertebrates, including world-class rare animals, the black-crowned gibbon and the deer, which are well protected and proliferated in Hainan. As Hainan covers a sea territory of 2 million square kilometers, marine animal resources are also abundant. There are more than 800 varieties of marine aquatic products and more than 600 species of fish, of which more than 40 species have proved high in economic value. Hainan has made full use of abundant marine resources for many years, which allows it to develop shallow-sea aquatic culture for many fish species, thus achieving substantial economic value.

Moreover, the mineral resources and sea salt resources are abundant as well in Hainan Province. The rich mineral resources that have been discovered in Hainan include glass quartz sand, natural gas, ilmenite, zircon, sapphire,

crystal, and trihydrate bauxite. For now, improvement has been made to the mineral development and storage. In addition, Hainan is abundant in sea salt resources due to the large sea salt fields such as Yinggehai Salt Field.

3.2 Transport environment

In Hainan, the traffic network is well-developed, with a mileage of more than 17,000 kilometers, making various ports, cities and counties easily accessible. At present, the pan-island transport route has been completed and put into operation, which marks the establishment of a complete transport network in Hainan. With regard to railway transport, Hainan is also relatively developed. The newly-completed railway routes are represented by the Hainan Island Express Railway and the Yuehai Railway Hainan West Ring Road. Apart from that, there are a wide range of inland rail transport options, like Haikou-Xi'an, Haikou-Shanghai South, Sanya-Beijing West, Haikou-Zhengzhou, Haikou—Harbin, Sanya-Changchun as well as other six railway routes. Due to the uniqueness of its terrain, there are a large number of seaports in Hainan, including Haikou Port, Bada Port, Yangpu Port and Sanya Port. In addition, Hainan has two large-scale international airports, which are Haikou Meilan International Airport and Sanya Phoenix International Airport. Both of them are capable to allow round-trip with major inland provinces and cities, as well as major cities such as Singapore, Bangkok and Kuala Lumpur.

From the analysis conducted above, it can be seen that the sea, land and air transport in Hainan is relatively well-developed, especially for the utilization of many ports to create favorable conditions for the establishment of a free trade

port in Hainan.

3.3 Economic environment

As revealed by the data sourced from the National Bureau of Statistics, in 2018, Hainan's GDP reached 4.832 trillion yuan, a 5.8% increase on 2017. The primary industry comprised of agriculture, forestry, animal farming and fishery represents the central pillar of Hainan's economy. In 2018, the value of the primary industry in Hainan reached 103.44 billion yuan, a 4.1% increase on the previous year. In 2018, the secondary industry in Hainan grew by 5.9% as compared to the year before. The tertiary industry is regarded as an emerging industry in Hainan, with tourism and real estate as the mainstays. Among them, in 2018, the real estate industry in Hainan created an added value amounting to 38.966 billion yuan, down 12.0% from 2017. The tourism industry contributed an added value of 39.282 billion yuan, a 8.5% increase on the year earlier. The decline in added value contributed by the real estate industry was due to the restrictions imposed on property purchase in Hainan, which provides a means to prevent the bubble economy in Hainan Province. In addition, Hainan's foreign economic growth is also at a relatively fast pace. In 2018, the total value of imports and exports amounted to 84.496 billion yuan, an increase of 20.8% on 2017. Among them, the total value of exports reached 29.767 billion yuan, a 0.7% increase and the total value of imports reached 55.129 billion yuan, a 35.4% increase. The economic growth for Hainan Province is illustrated as follows:

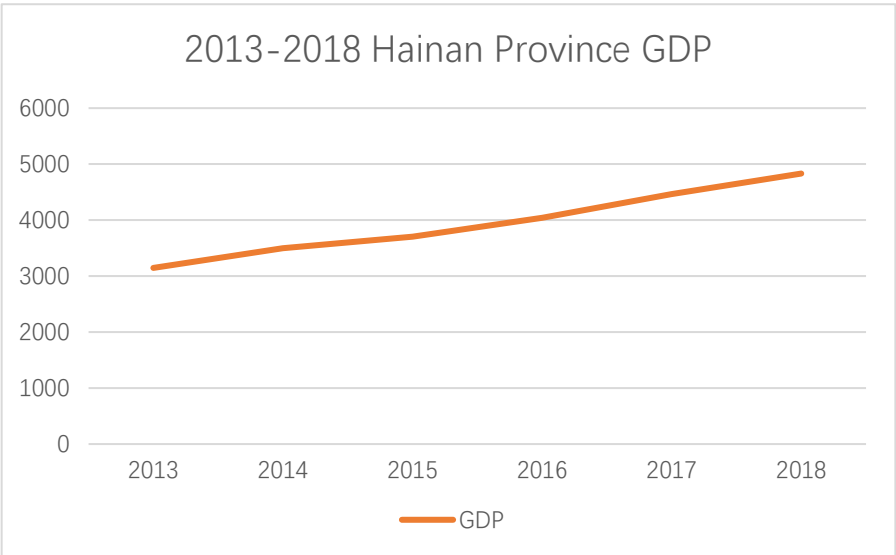


Table 3-1 Hainan Province GDP growth (100 million yuan)

In summary, the economic growth in Hainan was in a good shape in 2018, with all industries showing signs of development. Among them, agricultural economy grew at a steady pace. In the mean time, the secondary and tertiary industries accelerated their growth rate, with industry structures optimized on a continued basis. It is thus not dominated by the real estate alone any more. In particular, the scale of the foreign trade economy has been in expansion, and the export-oriented economy has further developed.

3.4 International status

Hainan has long been prominent as the “International Tourism Island”, and in 2018, it received totally 76,237,900 visitors from around the world. With the establishment of Free Trade Port, Hainan has established itself as a leader in

growing the international tourism industry. In Hainan, the tourism industry has been faced with enormous opportunities and challenges in the construction of international tourist islands in recent years and implementation of the national strategy of “21st Century Maritime Silk Road”. On December 9, 2017, Hainan made a programmatic plan for the development of tourism, which set three objectives for the development of tourism in Hainan. The first one is that, by 2020, the international tourism island will be set up. The second one is that, by 2025, a first-rate island leisure resort will be established. The third one is that, by 2030, a world-class international tourist destination will take shape. At the same time, it will reach 150 million passengers by 2030 and the tourism revenue will rise to 300 billion.

In addition to that, Hainan is considered as a strategic pivot for the “One Belt and One Road” initiative to roll out. Hainan is located in the southernmost part of China, which makes it a transit and distribution hub for the “One Belt and One Road” initiative. As the largest special economic zone and tropical island province in China, Hainan is regarded as a significant node for the Maritime Silk Road. Hainan is therefore positioned at the forefront of China's maritime exchanges with ASEAN, South Asia and the Middle East. Meanwhile, Hainan plays a crucial role in promoting the “21st Century Maritime Silk Road”. After the establishment of Hainan Free Trade Port, the logistic distribution hub of China's southern line has also been built, which ensures the smooth running of transport under the context of “One Belt and One Road” initiative. In this sense, the international status of Hainan is of strategic significance, which also determines the success in establishing the Hainan Free Trade Port.

4 Comparative analysis

4.1 Comparative analysis of domestic region

4.1.1 Hong Kong

Hong Kong covers a total land area of 1106.34 square kilometers. Located on the south China coast, east of the Pearl River Estuary in Guangdong Province, China, it is comprised of Hong Kong Island, the Kowloon Peninsula, the New Territories inland area as well as 262 large and small islands (outlying islands). Due to the large size of sea area claimed by Hong Kong, there are abundant marine fish resources, such as red shirts, nine sticks, and bigeye fish.

Despite the limited land resources, the Hong Kong economy has prospered. In 2018, Hong Kong was ranked as the world's most liberal economy for 24 consecutive years, with a top-ranking economic freedom index. In addition, The total volume of merchandise trading in Hong Kong ranks seventh in the world and plays an important role in international trade. Hong Kong has also been awarded as the "World's Most Competitive Economies" by the Lausanne International Institute for Management Development in Switzerland for two consecutive years and was listed as the "freest economy" by the Canadian think tank Fraser Institute. After Hong Kong established itself as a Free Trade Port, it has benefited from a variety of different preferential policies, including tariff exemptions, convenient and low-cost customs clearance, foreign capital, protection, the non-existing foreign exchange controls and the high openness

of the financial market. The Hong Kong Free Trade Port is allowed a higher degree of freedom in the inbound and outbound flow of goods, for which most of the traded items are not subject to customs duties when entering or leaving the port. In addition, the customs clearance procedures put in place by Hong Kong are highly convenient, for which the handling fees are quite low.

Since the establishment of the Hong Kong Free Trade Port, the local economy has experienced a fast-paced growth, which is primarily attributed to the free trade policies and stringent legal protection. Convenient trade freedom does not mean that it is uncontrollable. Correspondingly, the protection provided by the legal system is an important basis for all modern transactions due to the risks carried by freedom. The Group has established a "Business Facilitation Advisory Committee" to enhance the local regulatory system and provide an effective cross-department and cross-sector communication platform for the regulatory bodies. To express opinions to the government, Hong Kong has been consistent in the top five ranking across the world on the World Bank's Doing Business Report.

However, with the slowdown in Hong Kong's economy, the volume of traffic for Hong Kong's free trade port has also declined, as shown in the figure below.

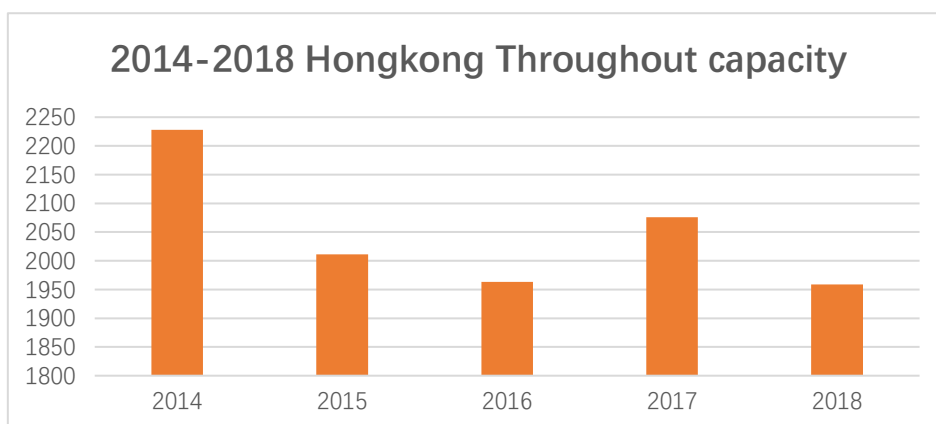


Table 4-1 Container throughput statistics of Hongkong (/10000TEU)

With regard to the causes of the declining trend for the container port in Hong Kong, there are a number of factors at play, including intensified competition within and outside the industry, especially from rival port cities in the mainland, and increased alternative options such as air and rail transport. The delay in the resolution to Sino-US trade disputes has further increased the risk.

Jonathan Beard, who is an independent consultant on port economy and one of the major participant in the Hong Kong Port Master Plan 2020, claimed that the container handling capacity of Hong Kong has been stagnant for years. In contrast, the progress made by rival ports has been accelerated. As early as one decade ago, Hong Kong as a port was reputable for its high efficiency and well-developed facilities and services. Nevertheless, "this advantage has been gradually lost. There are many other ports that are capable of providing service of matching quality. Admittedly, Hong Kong's competitiveness is also improved, but such an improvement is dwarfed by other ports."

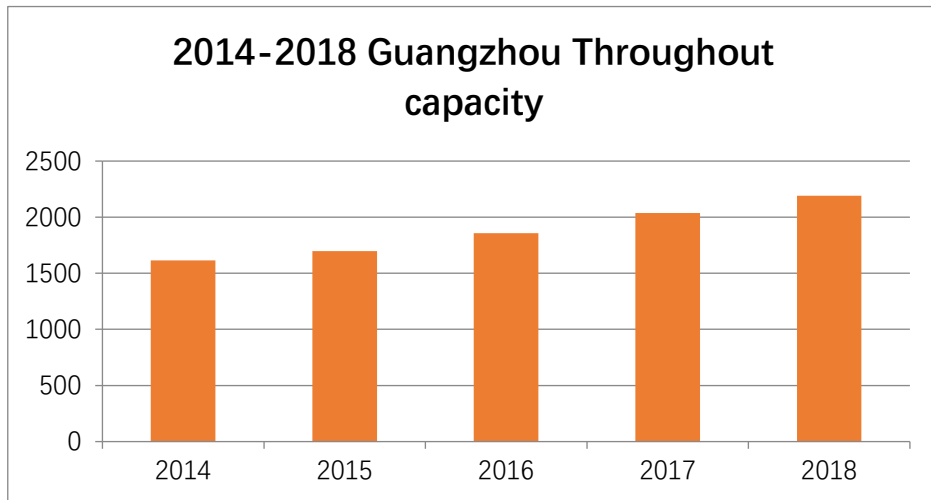
As stated by Peter Levesque, who was the head of business operations at the container terminal operator Modern Terminals Group, plenty of domestic ports across China strive to enhance their competitive, which thus puts Hong Kong under substantial pressure.

4.1.2 Guangzhou

Guangzhou is classed as the provincial capital city of Guangdong Province. Meanwhile, it's the sub-provincial city, the national central city, the super-large city, the international business center, the international transport hub, and the

national gateway city. It enjoys a quite advantageous position geographically, being close to the South China Sea, Hong Kong and Macao. It thus provides a gateway for China to exchange with the rest of the world and is also the hub of the “One Belt and One Road” initiative. Covering an area of 7434.4 square kilometers, Guangzhou has a suitable climate, warm and rainy, for which it is one of the cities having most abundant fruit trees across the country. There are a wide varieties of fruit trees in Guangzhou, including commercial crops such as litchi and longan. Meanwhile, the vegetables and flowers cultivated in Guangzhou are also rich in variety and quality, and are popular both at home and abroad. Guangzhou has a long history of industrial productions, including automobile, petrochemical, electronics, electric power production and supply, electrical machinery and equipment manufacturing. It is listed as a pilot city for the national strategy of “Made in China 2025”. In 2018, Guangzhou achieved a regional GDP of 2,285.935 billion yuan, calculated at comparable prices, an increase of 6.2% over the previous year. Of them, the added value contributed by the primary industry amounted to 22.344 billion yuan, the added value created by the secondary industry amounted to 623.407 billion yuan, and the added value delivered by the tertiary industry reached 1,640.184 billion yuan, up 2.5%, 5.4% and 6.6%, respectively. The primary industry represented by agricultural production achieved a total output value of 40.726 billion yuan in 2018, a 0.8% increase on the previous year. The added value contributed by the secondary and tertiary industries was 10.114 billion yuan, 303.207 billion yuan and 751.977 billion yuan, up 6.6% and 6.1%, respectively. The overall improvement is made at a faster pace.

In 2018, Guangzhou Port ranked fifth in container throughput across the world. The throughput statistics collected in recent years are presented as follows.



**Table 4-2 Container throughput statistics of Guangzhou Port in 2014-2018
(/10000TEU)**

As indicated by the statistics, following the establishment of the Guangzhou Nansha Free Trade Zone in 2015, the volume of imports and exports starts to show a trend of rapid growth. The Free Trade Zone is located adjacent to the gateway, which is very conducive to building up “one city and three centers”, establishing Nansha as a well-known high-level international city as well as an international shipping, trading and financial center. Meanwhile, it will become a “sub-center” for Guangzhou, to drive economic growth for the province. A new round is open to the outside world. Due to its special geographical location, the “Guangdong, Hong Kong and Macao Comprehensive Cooperation Pilot Area” was established. The Guangdong and Hong Kong sides were preparing for the construction of the Guangdong-Hong Kong Deep Cooperation Zone, site selection of the Guangdong and Hong Kong parks, transport connection, and the growth of local enterprises in Hong Kong under the cooperation with multinational companies. In terms of transport, it also constructed the Nansha Port Railway, the Shenmao Passage, the Guangzhou-Zhuhai-Macao Intercity

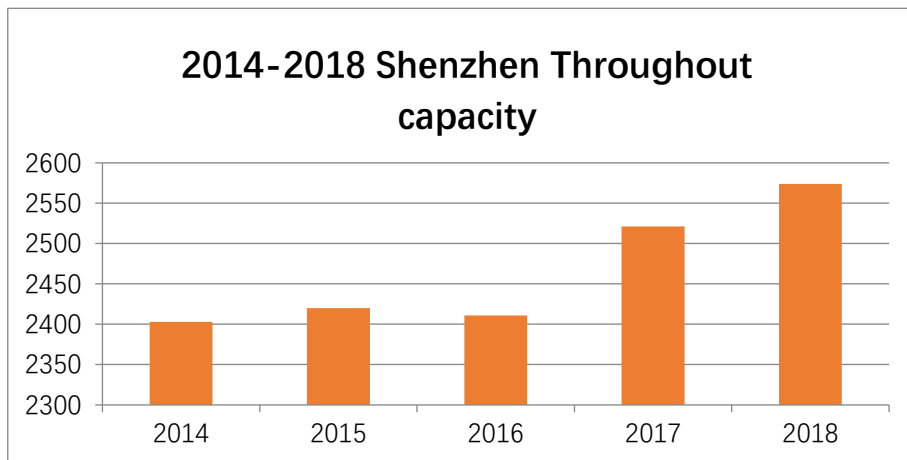
Rail, the Zhongnanwan Intercity Rail, the Metro Line 18 as well as many other national railways, rail transit, and high-speed roads between Guangdong and Hong Kong. Starting from the listing of the Guangdong Free Trade Zone, the construction of the “Guangdong-Hong Kong Deep Cooperation Zone” in Nansha has been made the focus of debate. At present, it has been initially established. In the future, a set of preferential policies formulated for Hong Kong investors will be put in place for the sake of deepening the cooperation between Guangdong and Hong Kong. Therefore, the economic growth of the Guangzhou Free Trade Zone will be taken to a higher level.

4.1.3 Shenzhen

Shenzhen is classed as among the four first-tier cities in China. It is also a provincial city located in Guangdong Province, a national regional center city, a mega-city, an international city, a global marine center city, an international integrated transportation hub, and one of four major centers in Guangdong, Hong Kong and Macau. It also represent one of the three national financial centers in China. Shenzhen is a coastal city in southern China, adjacent to Hong Kong and with vast seas geographically. The climate in Shenzhen is hot and rainy throughout the year, which is conducive to crop growth. Shenzhen owns a planting area of nearly 10,000 hectares and forestry land of 79,700 hectares. It is diversified in fruit types, including Longgang Chicken, Nantou Litchi and Nanshan Peach, which possess high economic value. Shenzhen is an economically developed city that has long been ranking fourth in mainland China for its economic vitality. In addition, Shenzhen was ranked second by the “Economist” list of “The Most Economically Competitive Cities in the World”

in 2012. In 2018, Shenzhen achieved a rapid economic growth, with its local GDP reaching 24,221.98 billion yuan, an increase of 7.6% over the previous year. For this year, the added value contributed by medium and large-scale industrial productions amounted to 910.954 billion yuan, an increase of 9.5%, making it a leading city in the country with an added value in excess of 900 billion yuan. From the perspective of industry structure, the primary industry contributed an added value of 2.209 billion yuan in 2018, an increase of 3.9%. The secondary industry created an added value of 996.195 billion yuan, an increase of 9.3%. The tertiary industry delivered an added value of 1,423.794 billion yuan, an increase of 6.4%. The ratio of industry structure changed from 0.1:41.4:58.5 in the previous year to 0.1:41.1:58.8, which indicated that the industry structure was adjusted to be more reasonable. The growth of import and export was also shown to be in a good shape, with the overall import and export volume hitting 298.834 billion yuan, an increase of 7.0%. Among them, the total value of import stood at 1,370.905 billion yuan, an increase of 19.4%. In comparison, the total value of export declined to 1,627.476 billion yuan, down 1.6%. Overall, Shenzhen's economy has grown steadily in 2018, and its prospect of future development is promising. It can be said that opportunities and challenges coexist.

In 2018, the Port's container throughput of Shenzhen ranked fourth around the world. The throughput statistics collected in recent years are shown as follows.



**Table 4-3 Container throughput statistics of Shenzhen Port from 2014 to 2018
(/10000TEU)**

It takes 40 years for Shenzhen to develop from a small fishing village to an international metropolitan city. The development of Shenzhen was achieved at a fast pace. In 2015, the Shenzhen Free Trade Zone was set up, which had propelled the economy of Shenzhen to a new height. At present, Shenzhen has two free trade zones, namely, Qianhai Free Trade Zone and Shekou Free Trade Zone. The two functional zones develop simultaneously. Qianhai will rely on its own “Shenzhen-Hong Kong Cooperation” pilot zone to give full play to the overlapping advantages of the free trade zone policy and further promote the flow of Shenzhen-Hong Kong elements for better service. As the tiniest area within the free trade zone, Shekou will also take full advantage of its unique geographical conditions to construct a Shenzhen-Hong Kong joint demonstration base. The two advantages are complementary to each other. Qianhai Shekou will achieve an organic combination effect. Both the Qianhai and Shekou free trade zones have their unique advantages. Firstly, the Free Trade Zone is strategically located adjacent to Hong Kong, which provides favorable geographical conditions to facilitate in-depth cooperation with Hong

Kong. In comparison, Qianhai, as a special economic zone in the SAR, plays a leading role in carrying out the national policy of reform and opening up to better drive the growth of the service industry. As a high-end manufacturing based and export processing zone, Shekou provides a test site for the reform and opening up of the high-end manufacturing sector based in Qianhai and Shekou. The region can make full use of the interaction mechanism between manufacturing and service industries. The two zones are complementary to each other and enjoy plenty of preferential policies to attract both talents and elite enterprises such as Huawei, ZTE and Tencent. The cooperation between Shenzhen Free Trade Zone and Hong Kong has further expanded to include the fields like system, law and talent.

4.2 Comparative analysis of other Asia region

4.2.1 Tanjung Pallapas

Tanjung Pelepas is a port-based city in Malaysia, adjacent to Singapore and is a well-known container terminal globally. The port of Tanjung Palapas occupies a strategically critical position in the field of worldwide shipping. Its natural conditions are advantageous. The depth of river valley exceeds 15 meters. The river course for shipping is 12.6 kilometers in length and 250 meters in width. The port of Tanjung Pelepas is responsible for major shipping operations run by Maersk Line for various destinations like Europe, Africa and the Middle East. The freight arriving at Tanjung Pelepas Port is transported to a major industrial park for connection to the Malaysian National Railway Hub via the

Malaysia-Singapore Highway, the North-South Expressway and the 31.5-kilometer port railway.

In 2018, the volume of freight handled by Tanjung Pelpa Port ranked 18th globally. The throughput statistics in recent years are shown as follows:

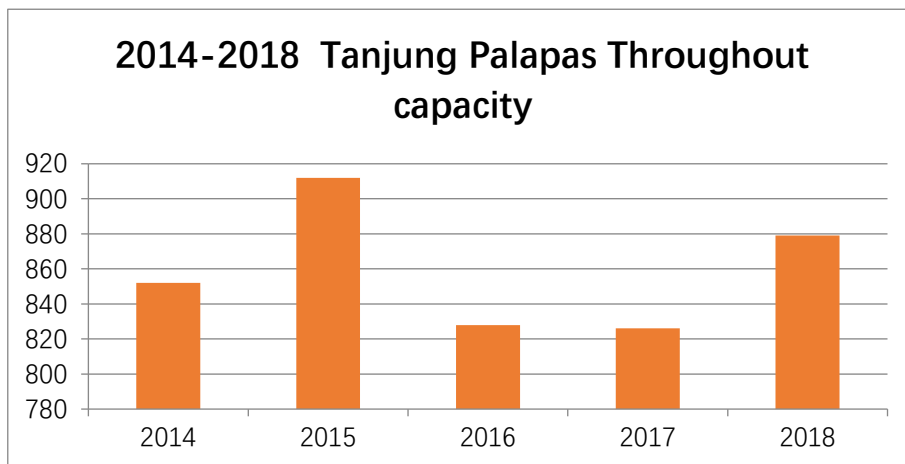


Table 4-4 Statistic of Container Throughput of Palapas, Tanjung, 2014-2018 (/10000TEU)

At present, the port of Tanjung Pelepa is comprised of totally 14 container berths with an overall length reaching 5.04 km and have 57 super Panamax cranes put in service. These cranes are usually characterized by dual crane capabilities to enhance productivity. Within the port of Tanjung Pelepas, every single crane is currently lifted for as many as 32 times per hour on average. The efficiency of the berth cranes is capable to reach up to 100 times per hour. The volume of handled cargo has grown at a steady pace and received award from the Lloyd's Shipping News based in London for many times. As science and technology advance, the port management working for Tanjung Pelepas Port puts in place a modern information system that enables the centralized management of cargo handling, transport and other information required for

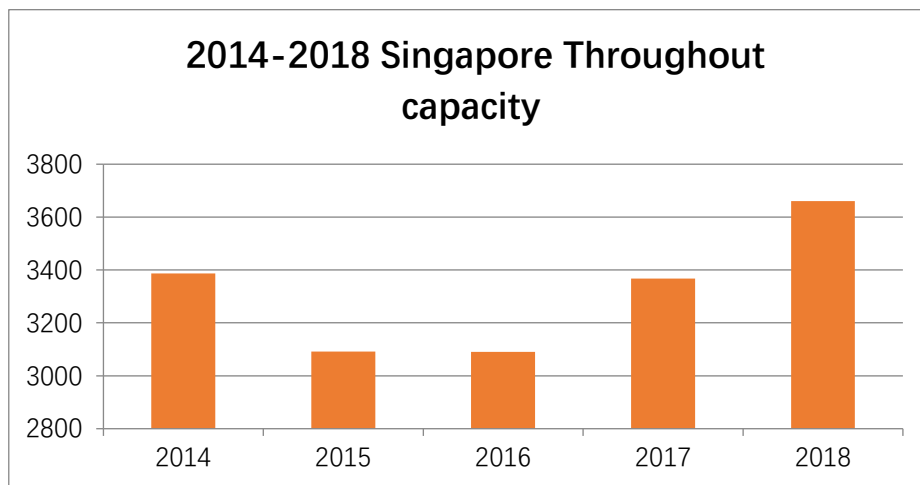
the port to operate, and sets up connection with various liner companies, freight forwarders, shipping companies, port authorities, customs, commodity inspection, sanitation, animal and plant quarantine as well as other agencies that offer paperless information transmission service to ensure high efficiency, high precision and high efficiency in cargo transport. Tanjung Pelepas Port performs a high proportion of port cargo work in Malaysia, for which not only has it grown into the largest container port in Malaysia, it will also evolve into the largest container shipping and transit hub port across Southeast Asia in a not so distant future. Malaysia is regarded as a crucial country on the ancient Maritime Silk Road. Besides, it is also among the earliest countries that made response to the “One Belt, One Road” initiative. Malaysia has enter into close collaboration with China in a wide range of engineering projects, including the Mazhong Guandan Industrial Park and the digital free trade zone invested as part of the cooperation with Alibaba Group. It has benefited from the “One Belt, One Road” initiative economically and penetrated new markets for its future development. The prospect is promising.

4.2.2 Singapore

Singapore is an important island country in Southeast Asia. It is neighbouring Malaysia and close to the southern mouth of the Malacca Straits. It represents a multicultural immigrant country with economic prosperity. Singapore covers a land area of 719.1 square kilometers and owns a coastline of more than 200 kilometers. It is comprised of multiple islands, including Singapore Island, St. John's Island, Kusu Island, and Sentosa. Singapore is dominated by a tropical

climate and is warm and rainy all year round. Therefore, the local vegetation is diverse, with 23% of the land being forests or nature reserves. It is reputable as a “garden city”. In Singapore, water resources are highly abundant. There are 17 reservoirs accessible to the public. The freshwater storage technology and recycling technology are applied to ensure the supply of fresh water to the entire country. Transport is highly-developed in Singapore, where public transport, light rail, subway and other modes of transport can fully meet the demands for mobility. Water-based transport is equally well-developed in Singapore. It is one of the world's busiest ports and one of the major transit hubs in Asia. Besides, it is the world's largest fuel supply port with more than 200 routes connecting more than 600 ports around the world. Singapore is a typical economy that is driven by trading. It is mainly engaged in electronics, petrochemical, financial, shipping and service industries. Due to the impact made by the Asian financial crisis in 1997, Singapore’s economy was affected to some degree. In 2001, it experienced a negative growth of 2%. In order to facilitate economic growth, the Singaporean government launched “building a new Singapore” and put in plenty of efforts on transforming into a knowledge economy. As revealed by the 2018 Global Financial Center Index (GFCI) ranking report, Singapore ranks as the fourth largest international financial hub worldwide. Singapore is mainly reliant on international trade, processing industry and tourism to drive economic growth. Among them, Singapore Port is classed as the largest seaport, crucial commercial city and trading center in Southeast Asia. It also establishes itself as an international financial hub and a vital aviation center. In Singapore, the processing industry mainly deals with electronic products, chemicals, machinery, transport facilities and oil-related products. It is ranked as the third largest oil-refining center around the world. Singapore is endowed with favorable geographical conditions and scenic

natural environment, which makes it a popular tourism destination. The state has also put in place various policies to support the country's tourism industry, for the purpose of grow the tourism industry. In 2018, the volume of freight handled by Singapore Port ranked second globally. The relevant statistics in recent years are presented as follows:



**Table4-5 2014-2018 Singapore Port Port Container Throughput Statistics
(/10000TEU)**

As indicated by statistics, the volume of containers handled by the port of Singapore ranks high worldwide. After a decline that didn't last long, the volume of containers handled by the port of Singapore has grown at a steady pace in recent years. It reached 36.6 million in 2018, up 8.7% as compared to 2017. Back in 1969, Singapore constructed its first free trade zone in Jurong Terminal in Jurong Industrial Zone. In 1996, the Singaporean government set up a free trade zone near the airport. Up to now, Singapore has established a total of seven free trade zones nationwide, a majority of which are purposed to perform freight-related tasks. The Singapore Free Trade Zone has a perfect management mechanism in place. Also, its administrative and development

functions are independent of each other. The responsibility for administration is assumed collectively by the Customs, the Civil Aviation Administration and the Port Authority. The development is managed by the specialist companies. This system features a clear division of labor, which makes it professional in operation. Similar to Hong Kong Free Trade Port, Singapore Free Trade Port is allowed greater freedom in terms of not only cargo transport but also customs clearance. In addition, Singapore Port has enforced an information management system to ensure access and timely information update. Apart from that, the Singaporean government has always placed emphasis on the cultivation of high-level managerial staff, nurturing all levels of professional talent required for port operations, and integration with modern information systems to maintain smooth port operations.

5 SWOT analysis basic on comparison

5.1 Strengths

5.1.1 Geographical strengths

Following the success in setting up the Shanghai Free Trade Zone, China has

established another 12 free trade zones in succession to stimulate the economic growth nationwide. However, a majority of the domestic free trade zones are open to free trade zones in the local areas below the provincial level, and the area covered is basically around 120 square kilometers. Due to the relatively late development of free trade zone in China, various limitations are encountered. As a newly established free trade port, Hainan Free Trade Port is also the first provincial-level free trade park set up in China. The area it covers reaches almost 27 times the total area of 11 other free trade areas, which creates a massive room for development. As the largest free trade port by coverage, Hainan is viewed as a vital node in the Maritime Silk Road and a hub for trading between inland China and all Southeast Asian countries. In terms of its geographical conditions, Hainan is close to the natural Qiongzhou Strait that isolates Hainan from the inland China. The cost of isolation is almost negligible, which is its own outlying island geographical advantage. Such geographical advantages play a significant role in promoting regional cooperation and connection with the development of the “One Belt and One Road” initiative, and are also conducive to the further liberalization of China's trading and investment activities. Meanwhile, it could improve the degree of opening up of the massive domestic market.

5.1.2 Industrial strengths

For Hainan, its industrial advantage lies primarily in tourism. The Hainan Free Trade Port is a free trade island to conduct tourism trade, which determines that the Hainan Free Trade Port is reliant on trading with individuals. The huge flow of tourists has stimulated the circulation of goods, transport and capital

flow in and out of the Hainan Free Trade Port. Hainan Island has always been focused on the growth of tourism. Thanks to the abundant marine resources, the tourism industry represents a central pillar for both social and economic development in Hainan. However, the growth of tourism industry has a certain degree of dependence on various conditions and is closely associated with the growth of local economy and the state of ecological civilization. Therefore, setting up the Hainan Free Trade Port has also laid a solid foundation for the comprehensive, high-quality and sustainable development of tourism industry. As indicated by Chairman Xi when Hainan Free Trade Port was established, Hainan is supposed to “focus on developing modern service industries such as tourism, Internet, medical health, finance, exhibitions, etc., accelerate the innovation and growth of service trade, and set up an industrial structure to drive the service-oriented economy”. The establishment and development of the Hainan Free Trade Port are certain to attract more attention from across the world to Hainan, which is beneficial for the further development of tourism and to lay a firm foundation for building up “international tourism consumption center”, which will also further promote the innovation and integration of other modern service industries, like Internet, medical health, finance, exhibitions and other industries, thus promoting the development of the free trade port.

5.2 Weakness

5.2.1 Lack of practical experience

Drawing experience from the world's free trade ports, the establishment and

development of the free trade port need to take time to be what it is today. For example, in Hong Kong, since 1841, it has undergone three major industrial transformations. At the beginning, it shifted from the agricultural and fishery economy to the economy based on entrepot trade, and then from the free port, which is mainly entrepot trade, to the export of products. The free port, made transition from a manufacturing-based economy to a service-based economy, and ended up growing into the now comprehensive international trading hub, shipping hub as well as financial hub. Another example is Singapore. Since its establishment in 1965, it has basically experienced industrial upgrading and transformation for 10 years. Starting from a single entrepot trade, it has gradually evolved from being initially labor-intensive, technology-intensive and capital-intensive to today's knowledge-based economy. Judging on the successful experience of the Free Trade Port, starting from the entrepot trade with port advantage, attracting a large number of logistic customers, gradually promoting economic development, accumulating industrial upgrading energy, and continuously growing the industry to establish the current international status. However, with the evolution of the world pattern, such experience does not apply to Hainan. Nowadays, Hong Kong, Singapore, Shanghai and other free trade ports have become well-developed, and the mission requirements of port freight have been basically satisfied. Considering this, the Hainan Free Trade Port has been left with only limited market space to grow the freight business. In this case, the central government requires that "the construction of Hainan Free Trade Port needs to reflect Chinese characteristics, conform to the correct direction of economic development for Hainan, as well as draw experience from other international free trade ports. Also, it should develop tourism and modern service, rather than focusing on entrepot trade. High-tech industries are the leading ones, and more emphasis ought to be placed on the

comprehensive development of human beings, enhancing economic vitality and creativity, and building a higher-level and liberal economy." This is a new mechanism that has never been seen before in the Free Trade Port. There is no applicable experience that can be drawn on. Thus, this presents a massive challenge for the Hainan Free Trade Port to develop. Despite this, it should be clearly recognized. New markets are set to bring new opportunities.

5.2.2 Lack of talent

Despite a series of policies announced by the Hainan government to attract talents, due to the small population, Hainan remains faced with a shortage of talents. For the construction of Hainan Free Trade Zone, the importance of talents is obvious. However, the economic development in Hainan is heavily reliant on tourism. There is no particularly urgent demand for the introduction of science talents. In July 2017, the Hainan People's Government issued the introduction of Hainan Province. The Measures for the Implementation of Talents Settlement, in which the conditions for college graduates to apply for settlement in any town in Hainan Province are that the graduated colleges must fall within the scope of the "211 Project" and "985 Project" of the Ministry of Education. This requirement also limits more. Excellent talents are attracted to Hainan for development.

5.3 Opportunities

5.3.1 Economic opportunities

Since Hainan was designated as a special economic zone, the local economy has undergone rapid growth. Looking at the GDP data on Hainan in recent years, it is shown to experience a steady growth over the years. The specific GDP statistics are shown as follows:

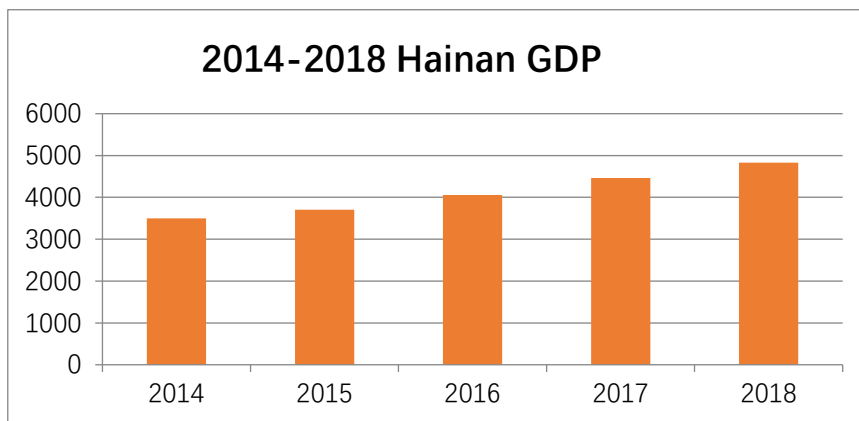


Figure5-1 2014-2018 Hainan GDP Statistics (100 million yuan)

As indicated by the statistical results, Hainan's GDP has grown steadily over the years, with the situation in a good shape. In 2018, the total production value of Hainan Province reached 485.205 billion yuan, an increase of 5.8% on the previous year. By industries, the added value created by the primary industry reached 10.011 billion yuan, up 3.9%. The added value contributed by the secondary industry stood at 109.579 billion yuan, up 4.8%. The added value delivered by the tertiary industry reached 273.165 billion yuan, up 6.8%. Over the most recent few years, the local economy in Hainan mainly relied on the growth of real estate. For instance, in 2017, the contribution rate of real estate industry to GDP growth reached 23.3%. The excessive dependence of real estate poses certain risks, as the expansion of real estate will attract a

substantial amount of social capital. In Hainan, social capital, land resources, and production materials are overly concentrated in the real estate industry, which has largely squeezed the room for development of the real economy. Therefore, a set of restrictive policies on the property purchase in Hainan as published by the government in 2018 has already affected Hainan's economy to a large extent. Although the local economy Hainan has declined somewhat at the early stage of restrictions on property purchase, the construction of Hainan Free Trade Port remains in progress steadily, making the economy recover quickly while optimizing the industry structure. As demonstrated by the statistics for the first quarter of 2019, the operating income of Internet and relevant services grew 48.0%, and the sales made by duty-free shops rose 24.6%, which emerged as the main driving force for the expansion of Hainan's consumer market. As indicated by the relevant research, industry optimization is not a temporary measure to stimulate economic growth. Hainan's policies have created favorable conditions for the real economy to grow, and the future development is basically promising. As the adjustment made to the industry structure continues, the gap in economic growth resulting from the real estate regulations and controls has been gradually closed. In this case, the Hainan Free Trade Port will be certain to develop at a steady pace.

5.3.2 Political opportunities

Setting up the Free Trade Port brings a series of preferential policies. From the successful experience drawn from both Singapore and Hong Kong, trade freedom plays a main role in the development of the free trade port. In 2018, the total import and export value created by Hainan's foreign trade reached

84.9 billion yuan, an increase of 20.8% as compared to 2017. The total value of imports hit 55.13 billion yuan, an increase of 35.4%. The transformation of Hainan's exports is self-evident, which is largely attributed to the introduction of relevant policies by the government to increase trade freedom. Since the establishment of the Hainan Free Trade Port, the government has brought in a total of seven major policies to stimulate economic development. Firstly, actively plan on launching multiple pilot key projects, including the promotion of the Hainan Free Trade Account (HNFT) system, the construction of a “single window” management system for Hainan's characteristic international trade, and the deepening of airspace refined management reforms for the rest of the region. The development provided valuable experience. Secondly, the “100-day big investment (project)” activity was launched, with a large number of enterprises being attracted to Hainan. The third one was the “Million Talents Entering Hainan” action plan, which attracted a large number of talents from various fields to Hainan for local development. By the end of December 2018, the province has received a total of 31,946 applications for the introduction of talents, and has addressed settlement for 24,413 people. The fourth is the restrictive policy on property purchase, which took effect since April 2018 to make the industry structure of Hainan optimized. The promotion of tourism internationalization is primarily premised on the enforcement of the visa-free policy. The sixth one is to make improvement to the local business climate, for which the government has initiated the "Hainan Province Optimization of Business Environment Action Plan (2018-2019)" program. The seventh one is to enhance institutional innovation, further the government mechanism reform and innovation as the core, carry out a number of institutional innovations, and further simplify the relevant working procedures.

5.4 Threats

The only and the biggest threat for Hainan is the embarrassing market positioning. It has been proved that market is the premise for all development. The 11 free trade zones set up in mainland China have basically cover all the major areas with relatively well-developed economies across the country. Every single free trade zone has its corresponding development hinterland and strong market demand. The success of foreign free trade ports evidences the significance of a clear strategy of market positioning. For example, Singapore is positioned in between the Pacific Ocean and the Indian Ocean as a crucial international shipping hub. It covers the Far East and the entire Asia-Pacific region. Hong Kong is located at a connection point between China and the Southeast Asian countries. It is in contact with China, Southeast Asia and Oceania. The nodes of the main channel in Europe and Africa, it can be said that the market radiates the world. The local population in Hainan is merely 9 million. As it is separated geographically from the inland, the potential of local market is quite limited. Thus, it is unrealistic to copy the empirical practices and institutional innovations carried out by the other 11 inland free trade zones. Owing to the similarities in geographical conditions to both Hong Kong and Singapore Free Trade Ports, it has developed for many years before the establishment of the Free Trade Port in Hainan, for the sake of a cumulative market base. In terms of geographical position, one is on the left and the other is on the right, one is in the south and the other is in the north, relative to Hainan. For both of them, the establishment and development of the Free Trade Port has been basically complete. For example, from a legal point of view, Hong Kong has put in place more than 1,000 regulations and legislation

over the past 100 years. The legal regulation is rigorous and mature. In contrast, plenty of improvement remains necessary for our domestic free trade zone. In terms of financial development, financial flows are completely free in Hong Kong, and Unicom in the world, these are Hainan Free Trade Port can not be reached in a short time.

5.5 Analysis table

With the analysis above, we can conclude all these strengths, weakness, opportunities and threats into one table.

	Strengths	Weakness
	-Geographical strengths	-Lack of practical experience
	-Industrial strengths	-Lack of talent
Opportunities		
-Economic opportunities		
-Political opportunities		
Threats		
-Embarrassing market positioning		

Table 5-2 SWOT analysis table

6 Conclusion, Suggestions and Outlook

6.1 Conclusion

The most recent years has been regarded as a crucial period for Hainan to complete transformation. Especially in recent years, the establishment of the Free Trade Port has brought to Hainan not only opportunities but also tough challenges. At a macro level, Hainan has been identified as a pilot zone that is strategically significant to a comprehensive deepening of reform and opening up of the domestic market. Also, it is conducive to the further liberalization of national ecological civilization pilot zone, international tourism consumption center and national major strategic service support zone. As a key node of the “One Belt and One Road” initiative, not only is Hainan an important station of the Silk Road, it is also a significant link between China and Southeast Asian countries and even the whole world. It is thus of great strategic significance. How to learn from the advanced experience of successful free trade port, how to seize opportunities and deal with the challenges are the focus of this study. This study has practical significance for the future development of the Hainan Free Trade Port.

6.2 Suggestion

6.2.1 Advice on seizing opportunities

(1) Strengthen international cooperation.

As an important node city of the “One Belt, One Road” initiative, Hainan has advantageous geographical conditions. Therefore, the Hainan Free Trade Port ought to strengthen international cooperation, adhere to the “One Belt, One Road” initiative, and enhance communication and cooperation with other ports at home and abroad. On the one hand, it needs to increase the port workload. On the other hand, it has to learn from the advanced experience of successful ports. Cooperation with the international community is not only conducive to the cooperation in capital and technology, but also the all-round cooperation in trade, market, finance and talents.

(2) Create a special "International Tourism Consumption Center"

Tourism has always been considered a major industry for Hainan. In the future, it is essential to increase efforts on driving development. In combination with the establishment of the Hainan Free Trade Port, Hainan will be transformed into a prominent “international tourism consumption center”. The industrial development of Hainan is also relatively clear, that is, taking the development of tourism industry, modern service industry and high-tech industry as the leading force, for which it is required to stay focused on the real economy for economic development. On the one hand, Hainan will accelerate building up the international tourism consumption centers, fostering a well-known global duty-free shopping center and fashion consumption center, diversifying the offerings of international tourism products, cultivating new forms of tourism consumption, creating smart international consumption areas, and expanding multi-level accommodation and catering. In terms of consumption space and high-quality tourism consumption environment, we will focus on ensuring the improvement to tourism consumption on both the supply side and the demand

side. On the other hand, we will stay focused on local tourism and health and characteristics based on local characteristics and reality. Efficient agriculture, information, education, culture and sports, and other six areas of new consumption lead role, to create a comprehensive tourism city.

(3) Strongly attract capital investment

The rapid economic development in Hainan over recent years has provided a solid economic foundation for the further development of the free trade port. The priority in the future should be attract foreign capital. The key to attracting foreign capital is to make investment sufficiently profitable. Thus, it is worth consideration to proactively ensure the rapid development of local enterprises in Hainan, to create the “model effect” of the first rich, attracting domestic and foreign enterprises and funds quickly.

(4) Improve the system and strengthen supervision

For the series of preferential policies published by the government, the future should be more promising, and with tightened supervision, plus a more complete legal framework, we can better maintain a fair and open market environment. For example, there are more than 400 market regulations and subsidiary economic legislation enforced in Hong Kong, which allows you to find legal basis and be supervised by law in any economic activity in Hong Kong. Singapore’s Free Trade Zone Law and Taiwan’s Free Trade The Port Area Administration Regulations are all highly targeted legislation. Hainan Free Trade Port has been allowed increased trade freedom, and the success of its construction and development are inseparable from various regulations. For example, Hainan will focus on the development of tourism and modern service industries. Therefore, an extended scope of tax incentives will attract more

enterprises and tourists, which is conducive to establishing Hainan as an “international tourist island” as well as a popular consumer and shopping destination. In terms of administrative procedures, we should also simplify the approval process of enterprise registration, improve work efficiency on a continued basis, reduce the intensity and scope of control, and maximize freedom and openness. Meanwhile, the relevant government agencies should also step up supervision to ensure the efficiency and fairness of operation for the Free Trade Port.

6.2.2 Suggestions for improving the disadvantages

(1) Clarify the market positioning and establish a special trading port.

Firstly, we should expand the scale of Hainan's internal market. Building up the “International Tourism Consumption” center and expanding its market size is the most basic step. The government can consider introducing preferential policies to attract more tourists, and narrow the gap between the peak season and the low season, while drawing in more foreign tourists and stimulating the demand of the internal market. Secondly, pioneering enterprises should be encouraged. As economic globalization deepens and domestic enterprises grow on a continued basis, many enterprises have been capable to compete against world-class enterprises and expand into overseas markets. The number of these enterprises will definitely grow. Hainan should pay attention to assisting these enterprises in entering the international market to make more profit, build domestic enterprises to the world's most convenient free port, and helping these enterprises open markets in Southeast Asia and even the world. Finally, it should attract large international companies to engage in the

local market. At present, international companies have entered into the Asia-Pacific market, with Singapore and Hong Kong preferred. As a newly established free trade port, Hainan is geographically advantageous in making breakthroughs in the mechanism of foreign investment.

(2) Drawing on the experience of advanced free trade ports

In the developmental process of the Free Trade Port, the relevant level of foreign affairs and foreign resources can be made use of at the national level to promote the development of foreign trade zones and free trade ports in the top-level design, the introduction of international high-end talents, and the operation of international rules. Experience and practice. Meanwhile, we can sum up and learn from the development experience acquired by international free ports such as Singapore, Hong Kong, Dubai and other free trade ports. Considering the characteristics of China's current economic development, we will make full use of the unique advantages of China's economic development and focus on growing the new economy. In addition, we need to stick to the pathway of free trade port construction with Chinese characteristics taken into account to drive the growth of characteristic industries unique to Hainan.

(3) Improve the talent introduction system

The excellent experience acquired by Singapore and Hong Kong indicates that a success in the development of free trade port is attributed to great freedom and internationalization in terms of population and mobility. Therefore, the government ought to increase effort on attracting high-level talents. It is also advisable to strengthen the introduction of high-level talents and teams, such as the introduction of academic or creative teams through flexible methods. In July 17th, the "Implementation Measures for the Introduction of Talents in

Hainan Province” was published. Putting in place a complete talent introduction and training mechanism to attract talents to settle and then retain them through preferential household registration policies, it could help ensure a desirable effect of talent introduction. Meanwhile, the various restrictions should be relaxed to attract more talents to Hainan for career development.

6.2.3 Suggestions conclude into SWOT analysis table

	Strengths	Weakness
	-Geographical strengths	-Lack of practical experience
	-Industrial strengths	-Lack of talent
Opportunities		
-Economic opportunities	-Strongly attract capital investment	- Improve the system and strengthen supervision
-Political opportunities	-Create a special "International Tourism Consumption Center"	-Improve the talent introduction system
Threats		
-Embarrassing market positioning	-Strengthen international cooperation	-Drawing on the experience of advanced free trade ports
		-Clarify the market positioning and establish a special trading port

Table 6-1 SWOT analysis table with suggestions

6.3 Outlook

The establishment of a free trade zone and a free trade port in Hainan marks a significant shift of the strategic attitude held by the central government and presents a substantial opportunity as well as challenge for Hainan's economic development. In the future, the development of the Hainan Free Trade Port will lead to a rapid development for Hainan's economy, while attracting a large number of both domestic and foreign enterprises to make investment in Hainan's development, which could further drive GDP growth for Hainan. In a long run, Hainan's economy will continue to grow at a steady pace. The Free Trade Port has brought new opportunities for the development of Hainan. The "international consumption center" has been established in steps, and the high-tech industry will grow into one of the major industries for Hainan. In the future, Hainan will also develop together with Shanghai and Shenzhen to make contribution to the development of China's "One Belt, One Road" initiative.

Reference

- Chiu, R. H., Lirn, T. C., Li, C. Y., Lu, B. Y., & Shang, K. C. (2011). An evaluation of free trade port zone in Taiwan. *The Asian Journal of Shipping and Logistics*, 27(3), 423-445.
- Ding, H. L. (2018). Countermeasures and Suggestions on building the island free trade zone and the world's largest free trade port in hainan. *China Water Transport*, (10), 10-12.
- Deng, X., Wang, Y., & Yeo, G. T. (2017). Enterprise perspective-based evaluation of free trade port areas in China. *Maritime Economics & Logistics*, 19(3), 451-473.
- Frank, M. (2014). Cuba: Port Upgrades and Free Trade Zones. *Americas Quarterly*, 8(1), 124-125.
- Guo, Y. Q. (2018). Study on the tax policy system of hainan free trade port. *The Journal of South China Sea Studies*, 5(1), 21-28.
- Haeun Sanöp Yön'guwön (Korea). (2005). *Free trade zone and port hinterland development*. United Nations Publications.
- Jin, C., Ding, J. B., & Gao, P. (2011). Research on optimal channel quantity of customs checkpoints on free trade port area based on fuzzy simulation optimization. *Journal of Dalian University of Technology*, 51(1), 143-148.
- Jin, C., GAO, P., & HAN, J. (2009). Modeling and analysis on service performance of logistics network system in free-trade port areas. *Systems Engineering*, 27(8), 14-20.
- Lavissière, A., & Rodrigue, J. P. (2017). Free ports: Towards a network of trade gateways. *Journal of Shipping and Trade*, 2(1), 7.
- Li, J. S., & Hu, F. Q. (2014). The transition of the european tariffs institution

- and the evolution of free ports' function and form under international relations system. *Journal of Zhejiang University*, 44(6), 85-97.
- Li, M. (2017). The internal relationship and strategic synergy between China's free trade zone services and "One Belt And One Road". *Economists*, (5), 50-57.
- Li, Z. (2018). *Research on financial opening and innovation of free trade zone under the background of "One Belt And One Road"* (Master's thesis, guangdong party school of CPC).
- Liu, W., & Wang, X. F. (2004). Research on the free trade zone policy and development of international logistics in port. *Journal of Shanghai Maritime University*, (2), 175-182.
- Riccardi, L. (2016). The New Concept of China (Shanghai) Pilot Free Trade Zone. In *Investing in China through Free Trade Zones* (pp. 63-118). Springer, Berlin, Heidelberg.
- Tazzara, C. (2014). Managing free trade in early modern Europe: institutions, information, and the free port of Livorno. *The Journal of Modern History*, 86(3), 493-529.
- TPFTZ(Tianjin Port Free Trade Zone)—A New Pattern of China's Opening to the Outside World. (1994). *Nankai Economic Studies*, 1994(S1), 35-39, 20.
- Wan, Z., Zhang, Y., Wang, X., & Chen, J. (2014). Policy and politics behind shanghai's free trade zone program. *Journal of Transport Geography*, 34(Complete), 1-6.
- Wang. H. (2018). Shenzhen qianhai: the idea of transformation from free trade zone to free trade port. *China Opening Journal*, (4), 59-62.
- Wang. S., Kang. B. Y., Han. J., Lin. G., Zhang. D. D., & Chen. X. (2018). Analysis on the development strategy of Singapore free trade port.

Hainan Today Magazine, (5), 36-39.

Wang. W. Y. (2017). *Research on the development of ningbo free trade zone and free trade zone under the background of "One Belt And One Road"* (Doctoral dissertation, graduate school of Chinese academy of social sciences).