

Box 9-5 Building the Hainan Free Trade Port

Free trade port is the highest-level openness in the world today. There are more than 129 recognized free trade ports in the world, and more than 2,000 free trade zones with similar nature and functions.

In April 2018, in his important speech at the celebration of the 30th anniversary of the establishment of Hainan special economic zone, President Xi Jinping clearly proposed to support Hainan's gradual exploration and steady advancement of the construction of a free trade port with Chinese characteristics. In June 2020, the CPC Central Committee and the State Council issued the *Overall Plan for the Construction of Hainan Free Trade Port*. The Hainan Free Trade Port covers the entire island of Hainan. By 2025, China will establish a free trade port policy system centered on free and convenient trade and investment. By 2035, it will become a new commanding height for the country's open economy. In the middle of the century, a high-level free trade port with strong international influence will be established.

Over the past eight years, China's free trade zones have become a *cornucopia* of new industries, new business modes, and new models, which has promoted high-quality economic development. In 2020, a total of 393,000 enterprises were established in the leading 18 pilot free trade zones, and the actual use of foreign capital was 176.38 billion yuan, and the total import and export volume was 4.7 trillion yuan. Covering about 0.4 percent of China's land area, those free trade zones account for 17.6% of the nation's total foreign investment and 14.7% of its imports and exports. All pilot free trade zones have made more efforts to explore ways of development, and replicated and promoted a total of 278 institutional innovations across the country, leading to a positive scenario in which reform dividends and opening-up benefits are shared among different regions.

III. Prospects of Development of Free Trade Zones and Ports

A time will come to ride the wind and cleave the waves; I'll set my cloud-like sail to cross the sea which raves.

In the future, the free trade zones and ports will fully implement the important

instructions of General Secretary Xi Jinping that we should be bold to test, experiment and reform, and continue to adhere to the principle of having global vision, catering to international standards, and maintaining Chinese characteristics. They will continue to enrich the contents of development, expand development space, and make greater efforts to plan and promote the high-quality development of the pilot free trade zones to create new commanding heights of reform and opening-up with a higher level of openness, a better business-doing environment, and a stronger ability to influence other regions, strive to become free trade zones with international influence and competitiveness, and make good use of their leading role as a pacesetter of reform and opening-up.

1. Expanding breadth and depth of opening-up

With regard to the openness based on the movement of commodities and factors, China will further shorten the negative list in pilot free trade zones, and the commitment-based market access system will be adopted in free trade ports, which will also make institutional arrangements for liberalization and facilitation of trade in goods featuring zero tariff and service trade liberalization and facilitation featuring qualification of both access and operation, so as to promote the orderly and free flow of people, logistics, capital, and information. Regarding institutional openness, the free trade zones and ports will make full use of the international and domestic markets and resources, design their economic and trade rules based on relevant benchmark international high-standard rules, accelerate the integration of reform and innovation systems, coordinate openness and security, promote institutional openness, such as openness in rules, regulations, management, and standards, and build an institutional system and regulatory model that is in line with international high-standard economic and trade rules, laying a solid groundwork for participating in and guiding the revision of international rules.

2. Improving openness guarantee mechanism

Establishing a reform empowerment mechanism. The free trade zones and ports will be given greater reform autonomy, and promote the appropriate combination of top-down reform authorization and bottom-up system innovation. The incentive and fault-tolerant mechanism will be explored to stimulate pilot free trade zones'

self-motivation and enthusiasm in system innovation, and promote the formation of more groundbreaking and special innovations. An openness security mechanism will be established to strengthen ex-ante, interim and ex-post supervision, improve the foreign investment security review mechanism that is compatible with the negative list management model, properly manage the strength, pace and resilience of openness, and prevent major regional and systemic risks.

3. Unleashing openness development dividends

Adhering to the principle of carrying out openness practice in all aspects and multiple areas. The free trade zones and ports will take the lead in promoting the equal and orderly opening-up of the service industry to various market players, strengthen stress testing, and make more efforts to explore a path of opening-up in a wider field and at a higher level that is more compatible with the country's actual conditions.

The outcomes of opening-up should be replicable so that they can be spread to other regions. Institutional innovation will be carried out using high standards, like *plant nursery* standards, and multi-level, wide-ranging, and high-quality institutional innovation outcomes will be obtained through differentiated exploration, so as to serve the national strategy and lead to a scenario of benign interaction between experiments within the zones and replication and promotion outside of the zones.

The momentum of openness will be sustainable. Cross-regional and cross-departmental major institutional innovations at different levels will be pushed forward, and efforts will be made to ensure the government and the market be in their right place. An open, transparent, and predictable world-class business-doing environment will be fostered to inject stronger impetus into global trade and investment cooperation and inclusive growth.