

# **Comprehensive Evaluation Report of Opening-up of Hainan Free Trade Port**

**Ernst & Young (China) Advisory Limited**

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## **Acknowledgement**

This is to acknowledge the Foreign Affairs Office of Hainan Province, Hainan Provincial Bureau of Statistics, FTP Office of CPC Hainan Provincial Committee, Office of Cyberspace Affairs Commission, Development and Reform Commission, Department of Tourism, Culture, Radio, Television and Sports, Department of Commerce, Department of Science and Technology, Department of Education, Department of Transportation, Bureau of Financial Regulation, Bureau of Intellectual Property Right, Special Office of Improvement of Business Environment, Hainan Maritime Safety Administration, Haikou Customs District, Hainan Office of China Banking and Insurance Regulatory Commission, and Hainan Office of China Securities Regulatory Commission, as well as 100 representatives from multinationals, economists, and industrial experts. They have provided strong support and great help for the development of this report.

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## **Preface-Promoting Global Development, Building a Shared Future**

“China will not close its door to the world; we will only open it wider. This is a solemn commitment. China adheres to the basic national policy of opening-up and pursues a mutually beneficial strategy of opening-up. We abide by and maintain the world trade system and rules to make economic globalization more open, inclusive, and balanced, so that it works to the benefit of all. We will make the process of economic globalization more vigorous, more inclusive and more sustainable to ensure that different countries, people from different social strata, and different groups of people may all share the benefits.” This is what General Secretary Xi Jinping said at a gathering celebrating the 30<sup>th</sup> anniversary of the founding of the Hainan Province and the Hainan Special Economic Zone.

The *Overall Plan for the Construction of Hainan Free Trade Port* (hereinafter referred to as the Overall Plan) pledges to build the Hainan Free Trade Port (Hainan FTP) into a distinctive flagship and important gateway leading China’s opening-up in the new era. Since the Overall Plan was released, the construction of Hainan FTP has proceeded smoothly across the board, featuring firm direction, enhanced quality, sound environment, and rising enthusiasm, with several key economic indicators growing so fast that they have historically come to the leading position in the country.

The year of 2022 is vital for implementing the policies for building Hainan FTP and for making the key preparations for the independent customs operation across the whole island. With the support of Hainan Provincial Foreign Affairs Office, Hainan Provincial Bureau of Statistics and other authorities, EY carried out the comprehensive evaluation report of the opening-up of Hainan FTP. The report focuses on the following theme: **benchmarking against international level to identify weaknesses in comparison with other countries and regions and clarifying Hainan’s position to boost progress**. Under this theme, it sorts out and analyzes the opening-up experience and features of advanced FTPs and other economies in different development stages around the world and summarizes Hainan’s achievements in furthering the opening-up, which is aiming to provide references for the high-quality development of Hainan FTP.

## Chapter I Overview of Comprehensive Indicators on Opening-up

Based on the theme mentioned above, this report establishes a multi-dimensioned and comprehensive system of indicators to evaluate Hainan's level of openness in the process of deepening reform and opening-up. The establishment of the indicator system follows six key principles:

**Advanced indicators:** With EY's Globalization Index as the basis, the report establishes a three-level indicator system with reference to the KOF Globalization Index, Global Innovation Index, World Openness Report, and other authoritative indexes and reports produced by China and worldwide.

**Targeted policies:** The report revolves around the five-point liberalization and facilitation and safe and orderly flow of data of Hainan FTP, refers to key guiding documents on the FTP's construction, and fully studies its current development state, to make sure its opening-up strategy, overall plan, and development plans are well aligned.

**Authoritative opinions:** The three-level indicators are set in accordance with the following logic: proposing policies, presenting the process, and predicting the results; all-round coverage; universal application; and innovative combination of both quantitative and qualitative indicators. The analysis of quantitative indicators is based on statistical monitoring and empirical study, while that of qualitative indicators is conducted in the form of questionnaires separately designed for experts and enterprises. A total of 100 experts, scholars and representatives from multinationals are invited to participate in the evaluation.

**Multiple dimensions:** The three-level indicators have a parallel dimension and a vertical dimension. The parallel dimension shows where Hainan is in relation to advanced countries and regions and seeks referential experience, while the vertical dimension shows what Hainan has done in deepening reform and opening-up, what it has achieved so far, and what the future trend will be.

**Scientific evaluation:** Two internationally used weighting methods – weighted factor method and Delphi method – are adopted to cross-evaluate and comprehensively measure the indicator system to ensure scientific and consistent conclusions.

**Multiple benchmarks:** The report makes a parallel comparison of Hainan with other seven references of three different types. The references include Hong Kong Special Administrative Region (SAR) of China, Dubai, and Singapore – three FTPs generally regarded as most open, Thailand and the Philippines, members of the Regional Comprehensive Economic Partnership (RCEP), and Bahamas and Mauritius – small, island developing countries active in attracting foreign capital.

## **Chapter II Comprehensive Indicators on Opening-up: Observations and Insights**

### **I. Observations**

Analyzing Hainan’s deepening of reform and opening-up using the multi-dimensioned indicator system, EY believes that Hainan has taken solid steps to build itself into an FTP with Chinese characteristics after the important speech given by General Secretary Xi Jinping on April 13 of the year of 2018, especially after the Overall Plan was released in 2020. Its efforts have substantially improved several key indicators in economic and social development and boosted the FTP construction to proceed in full swing and high spirits.

From the macro and strategic perspective, Hainan has performed quite well among eight references. It stands in the first echelon under “Tech & Cultural Openness” for outstanding performance, in the second echelon under “Economic Openness” for a performance that meets the requirement for high-quality development; and in the third echelon under “Social Openness” because of a macro-prudential and rigorous attitude.

The Overall Plan attaches special importance to the system of “five-point liberalization and facilitation and safe and orderly flow of data”, in which Hainan casts a brilliant figure for its progress in “investment liberalization and facilitation”, ranking second only to China’s Hong Kong SAR, Singapore and Dubai, the three most open FTPs, of all the references. In the meantime, it is in the second echelon together with Dubai for “trade liberalization and facilitation”, lagging only a little behind advanced economies.

Overall, thanks to the leadership of the government and the concerted efforts of all social sectors, the Hainan has primarily created a development situation revolving around the phased goal of “initially establishing a policy system focused on the liberalization and facilitation of trade and investment”, with initial effects already presenting themselves. Specific construction work is elaborated below.

**Table 1 Results in the horizontal indicator set**

Level-1 indicator		Level-2 indicator		Level-3 indicator	
Indicator name	Result	Indicator name	Result	Indicator name	Result
1. Economic openness	Second echelon	1-1. Trade Liberation and Facilitation	Second echelon	1-1-1. Facilitation of Trading Across Borders	Second echelon
				1-1-2. Import Trade Volume (% of GDP)	Third echelon
		1-2. Investment Liberalization and Facilitation	Second echelon	1-2-1. Facilitation of Starting a Business	First echelon
				1-2-2. Foreign Direct Investment (% of GDP)	Third echelon
				1-2-3. Oversea Direct Investment (% of GDP)	Second echelon
				1-2-4. Government Policy for Foreign Investment	Second echelon
1-3. Free and Convenient Cross-border Capital Flows	Third echelon	1-3-1. Facilitation of Cross-border Capital Flows	Third echelon		
2. Social openness	Third echelon	2-1. Free and Convenient Flows of Personnel	Third echelon	2-1-1. Number of Inbound Tourists	Third echelon
				2-1-2. Facilitation of Foreign Labor Recruitment	Third echelon
		2-2. Free and Convenient Transportation:	Second echelon	2-2-1. Number of International Air Routes	Second echelon
				2-2-2. Import Transport Services (% of Service Imports)	Second echelon
				2-2-3. Competency of International Trade Transportation Services	Second echelon
		2-3. Secure and Orderly Data Flow	Second echelon	2-3-1. Telecommunications, Computer and Information Services Imports (% of Service Imports)	Second echelon
				2-3-2. Telecommunications, Computer and Information Services Exports (% of Service Exports)	Second echelon
		3. Scientific and cultural openness	First echelon	3-1. Scientific and Technological Exchanges	First echelon
3-1-2. Number of PCT Patent Applications	Third echelon				
3-2. Cultural Integration	Second echelon			3-2-1. International Students (% of Total College Students)	Second echelon
				3-2-2. Personal, Cultural and Recreational Services Imports (% of Service Imports)	First echelon
				3-2-3. Cultural Inclusiveness	Second echelon

## II. Insights

### (I) 1-1-1. Facilitation of Trading Across Borders

#### Hainan's performance

- ▶ Hainan Free Trade Port is in the second echelon on the indicator of facilitation of trading across borders. In addition to applying for 1) national policy support for supervision over special customs supervision areas, 2) the Hainan FTP has implemented the “flow through the first line and efficient control at the second line” cargo entry and exit management system (trial implementation at Yangpu Bonded Port Area), 3) and optimized the “International Trade Single Window” logistics collaboration platform. It keeps improving the facilitation of trading across borders with innovation efforts like the “goods pick-up at shipside” model and the “two-step declaration” reform. Thanks to all those efforts, Hainan has limited the import document processing time within two hours.

**Table 1-1-1 Vertical & parallel comparison of Hainan's facilitation of trading across borders**

#### (a) Vertical comparison (2019-2020)

Time and cost of import procedures	2019	2020
Import cost: documentary compliance (USD)	71	71
Import cost: border compliance (USD)	289	279
Import time: documentary compliance (hour)	12	2
Import time: border compliance (hour)	37	41

#### (b) Parallel comparison (2020)

Reference	Import-documentary compliance		Import-border compliance		Echelon
	Time (hour)	Cost (USD)	Time (hour)	Cost (USD)	
Singapore	3	40	33	220	First echelon
Hong Kong, China	1.3	56.8	18.5	265.6	
Thailand	4	43.5	50.2	232.5	Second echelon
<b>Hainan</b>	<b>2</b>	<b>71</b>	<b>41</b>	<b>279</b>	
Mauritius	8.6	165.6	41	372.1	Third echelon
Bahamas	6	550	51	1385	
Dubai	12	283.3	54	553.3	
Philippines	96	67.5	120	689.5	

#### Comparison



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In addition to simplifying clearance procedures and accepting electronic documents, references in the first echelon focus on special plans to improve the facilitation of trading across borders.

### 1. Simplifying clearance procedures

- ▶ At the declaration stage, Hong Kong SAR allows carriers to report the transport information and submit the import and export declaration forms to the customs within 14 days after the cargo's entry or exit, apart from exempting certain goods from declaration.

### 2. Recognizing electronic documents

- ▶ Singapore enacts the *Electronic Transactions (Amendment) Bill* to recognize and guarantee the legality of electronic documents in cross-border trade.

### 3. Implementing special plans

- ▶ Singapore rolls out the **Global eTrade Services (GeTS)**. GeTS is operated by the state-owned enterprise in Singapore that operates the first international single window worldwide -- TradeNet. GeTS is designed to exchange data between Singapore and public logistics platforms in many other countries and share information with many international trade single windows or public logistics platforms, thus enabling electronic declaration for owners of imported/exported cargo and freight forwarding users, meaning allowing them to use electronic bills of lading, shipping bills, permits, C/O and other documents for declaration.
- ▶ Hong Kong SAR launches the **Authorized Economic Operator (AEO) Programme**. This is an authorization program implemented by Customs and Excise Department. Any import and export trade participants qualified for joining the program could be authorized economic operators and entitled to clearance facilitation preferential treatment by Customs and Excise Department, including less customs inspection procedures or precedence in receiving customs inspection.

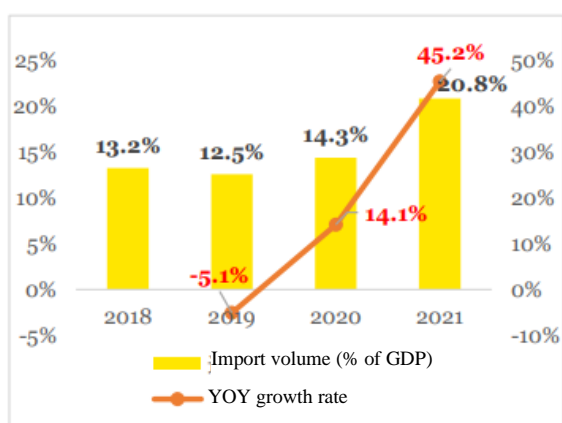
## (II) 1-1-2. Import Trade Volume (% of GDP)

### Hainan's performance

- ▶ Hainan stands in the third echelon on this indicator, but it presents several highlights on the vertical timeline. From 2018 to 2021, the Hainan's import volume as in percentage of GDP rose from 13.2% to 20.8% with a Compound Annual Growth Rate (CAGR) of 16.3%; in 2021, it jumped 45.2% from the previous year, a robust momentum that indicated the rising convergence of international goods, services and other factors in Hainan.
- ▶ To encourage cross-border trade, Hainan, in addition to implementing the arrangements for trade liberalization and facilitation, as represented by the “zero tariff” policy, rolled out several documents for that purpose. For instance, *Measures of Hainan Province for Expanding Imports and Promoting Foreign Trade Development* is aimed to expand import, and the *Negative List on Cross-border Trade in Services for Hainan Free Trade Port* will further remove barriers to trade in services and drive the solid implementation of liberalization and facilitation measures through coordination.

**Table 1-1-2 Vertical & parallel comparison of Hainan's import volume (% of GDP)**

**(a) Vertical comparison (2018-2021)**



**(b) Parallel comparison (2018-2020 mean)**

References	Import volume (% of GDP)	Echelon
Dubai	192%	
Hong Kong, China	186%	First echelon
Singapore	150%	
Thailand	55%	Second echelon
Mauritius	54%	
Bahamas	39%	
Philippines	36%	Third echelon
<b>Hainan</b>	<b>13%</b>	

### Comparison

In the first echelon, Hong Kong SAR and Singapore, which have a developed export-oriented economy, have adopted similar measures, such as trade liberalization and facilitation arrangements featuring “zero tariff” for most goods. Hainan should consider accelerating the finalization of the last list of its “one negative list, three positive lists” to perfect its “zero tariff” institution.

### Sharing

- ▶ Singapore exempts all imported goods from tariff except for liquor, tobacco (inc. cigarettes), petroleum, and motorized vehicles.
- ▶ Hong Kong SAR exempts all imported goods from tariff except for controlled articles and liquor, tobacco and cigarettes, hydrocarbon oil, and methanol.

### (III) 1-2-1. Facilitation of Starting a Business

<b>Hainan's performance</b>	<p>► Hainan has made noted achievements in enhancing the facilitation of starting a business, which is in the first echelon on this indicator. Specifically, Hainan performs excellently in streamlining the business starting process. Efforts include streamlining the online registration procedures for commercial entities across the island, permitting important industrial parks to offer a simplified approval process, and expanding the reforms on separating the business license and the business permit, with post-business license reduction of permits and simplification of approval promoted in a wider range and more industries.</p>																																											
<b>Comparison</b>	<p><b>Table 1-2-1 Vertical &amp; parallel comparison of Hainan's facilitation of starting a business</b></p> <p><b>(a) Vertical comparison (2019-2020)</b></p> <table border="1" style="margin-bottom: 10px;"> <thead> <tr> <th style="background-color: #ffff00;">Procedure and time</th> <th style="background-color: #ffff00;">2019</th> <th style="background-color: #ffff00;">2020</th> </tr> </thead> <tbody> <tr> <td>Number of procedures</td> <td>4.0</td> <td>2.4</td> </tr> <tr> <td>Time (days)</td> <td>4.5</td> <td>2.1</td> </tr> </tbody> </table> <p><b>(b) Parallel comparison (2020)</b></p> <table border="1"> <thead> <tr> <th style="background-color: #ffff00;">Reference</th> <th style="background-color: #ffff00;">Number of procedures</th> <th style="background-color: #ffff00;">Time needed (day)</th> <th style="background-color: #ffff00;">Echelon</th> </tr> </thead> <tbody> <tr> <td>Hong Kong, China</td> <td>2.0</td> <td>1.5</td> <td rowspan="3">First echelon</td> </tr> <tr> <td>Singapore</td> <td>2.0</td> <td>1.5</td> </tr> <tr> <td>Dubai</td> <td>2.0</td> <td>3.8</td> </tr> <tr> <td style="background-color: #cccccc;"><b>Hainan</b></td> <td style="background-color: #cccccc;"><b>2.4</b></td> <td style="background-color: #cccccc;"><b>2.1</b></td> <td></td> </tr> <tr> <td>Mauritius</td> <td>4.0</td> <td>4.5</td> <td>Second echelon</td> </tr> <tr> <td>Thailand</td> <td>5.0</td> <td>6.0</td> <td></td> </tr> <tr> <td>Bahamas</td> <td>7.0</td> <td>11.5</td> <td>Third echelon</td> </tr> <tr> <td>Philippines</td> <td>13.0</td> <td>33.0</td> <td></td> </tr> </tbody> </table>	Procedure and time	2019	2020	Number of procedures	4.0	2.4	Time (days)	4.5	2.1	Reference	Number of procedures	Time needed (day)	Echelon	Hong Kong, China	2.0	1.5	First echelon	Singapore	2.0	1.5	Dubai	2.0	3.8	<b>Hainan</b>	<b>2.4</b>	<b>2.1</b>		Mauritius	4.0	4.5	Second echelon	Thailand	5.0	6.0		Bahamas	7.0	11.5	Third echelon	Philippines	13.0	33.0	
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<b>Sharing</b>	<p>Apart from online electronic registration platforms, statutory institutions that provide integrated administrative and enterprise services, and other practices by the first-echelon references that are similar to those of Hainan, Hainan could consider other practices of them:</p> <p>► Singapore has designated different special institutions to assist in starting business in key industries. For instance, The International Enterprise Singapore is responsible for company registration for manufacturing, trade, trade logistics and service industries concerning trade. The Monetary Authority of Singapore registers for the banking sector, financial and insurance industry.</p>																																											

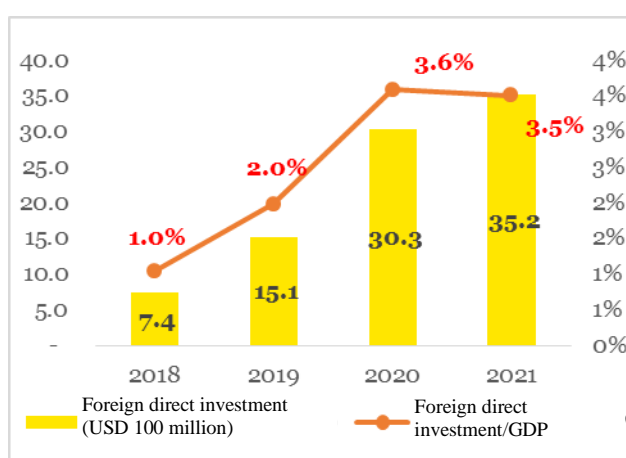
## (IV) 1-2-2. Foreign Direct Investment (% of GDP)

### Hainan's performance

- ▶ Hainan stands in the third echelon on this indicator, but its foreign direct investment kept increasing from USD 740 million in 2018 to USD 3.52 billion in 2021, with a Compound Annual Growth Rate (CAGR) of 67.8%.
- ▶ Continuously enhancing attractiveness for foreign capital is a major task in the construction of a high-level free trade port in Hainan. On the basis of national policy support, Hainan makes innovative efforts to authorize municipal and county-level authorities to examine and approve foreign investment projects that are required by the Catalogue of Investment Projects Subject to Government Examination and Approval to be approved by local governments. As of now, all such foreign investment projects filed have been delegated to municipal and county-level authorities. Hainan has also adopted new foreign exchange registration practices for foreign direct investment, to streamline formalities for foreign investment.

**Table 1-2-2 Vertical & parallel comparison of Hainan's foreign direct investment (% of GDP)**

**(a) Vertical comparison (2018-2021)**



**(b) Parallel comparison (2018-2020 mean)**

Reference	Foreign direct investment (% of GDP)	Echelon
Singapore	26.66%	First echelon
Hong Kong, China	25.59%	
Dubai	7.51%	Second echelon
Bahamas	3.15%	
Mauritius	2.95%	Third echelon
Philippines	2.33%	
<b>Hainan</b>	<b>2.20%</b>	
Thailand	0.84%	

### Comparison

### Sharing

As is seen from the parallel comparison, in terms of attracting foreign direct investment, the references in the first echelon have adopted more relaxed exchange control measures in addition to eased industry restrictions on foreign investment, ensuring a continuously attractive foreign

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investment environment.

**1. More eased industry restrictions on foreign investment**

- ▶ Singapore implemented the free trade port policy and has signed more than 20 free trade agreements with China, US, EU, Australia, New Zealand, Canada, etc., committing to opening up more industries to those countries. Foreign-invested enterprises are under little restrictions, except for those in industries posing severe risks to environment and public security.

**2. More eased foreign exchange control**

- ▶ Hong Kong SAR imposes no restriction on currency trading and international capital flows, including on investors' remittance of dividends or funds back to their home country. Foreign-funded enterprises are permitted to open multi-currency accounts with Hong Kong banks and settle trade balance with any possible currency.
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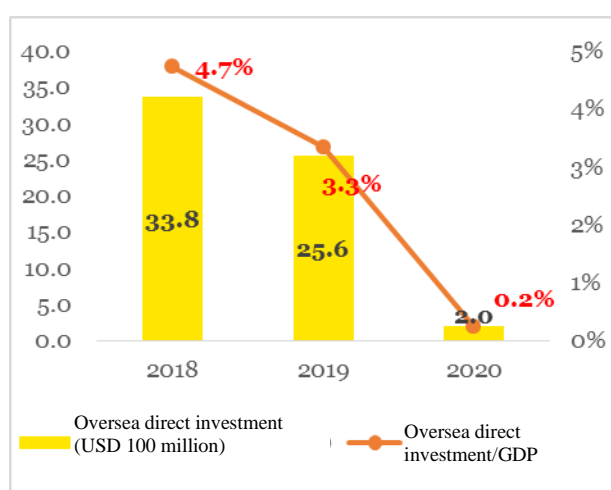
## (V) 1-2-3. Oversea Direct Investment (% of GDP)

### Hainan's performance

- ▶ Despite that Hainan is in the second echelon on this indicator, a declining trend is seen in overseas direct investment. Besides objective factors like that it takes time to release the benefits of preferential taxes offered by the free trade port, policies for supporting and protecting local enterprises to “go global” are not sound yet. Despite that the Hainan-version QDLP overseas investment channel has been finalized, it is relatively late to do so, and the channel is not substantially superior to that of Chinese mainland. Therefore, Hainan needs to put more efforts into top design and overall planning and coordination.

**Table 1-2-3 Vertical & parallel comparison of Hainan's overseas direct investment (% of GDP)**

**(a) Vertical comparison (2018-2020)**



**(b) Parallel comparison (2018-2020 mean)**

Reference	Overseas direct investment (% of GDP)	Echelon
Hong Kong, China	18.40%	First echelon
Singapore	9.63%	
Dubai	4.65%	Second echelon
Thailand	3.04%	
<b>Hainan</b>	<b>2.77%</b>	
Bahamas	1.21%	Third echelon
Philippines	1.02%	
Mauritius	0.45%	

### Comparison

As is seen from the parallel comparison, both Singapore and Hong Kong take more comprehensive measures to encourage local enterprises for overseas investment, including setting up official agencies to provide local enterprises with administrative resources, implementing special encouragement plans and providing financial support.

### Sharing

- ▶ The Ministry of Trade & Industry of Singapore has led to set up the Trade Development Board as a statutory institution for developing international trade. The Trade Development Board helps local enterprises develop overseas markets mainly by providing them with administrative resources, including assisting them in making export policies and applying for export licenses. In addition, Singapore implements several special schemes to encourage local enterprises for overseas

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investment, including the Overseas Enterprise Incentive Scheme, International Roadmap Plan and Double Tax Deduction for Internationalization Scheme (DTD<sub>i</sub>).

- ▶ The Hong Kong SAR Government has set up the Invest Hong Kong to assist local enterprises in cooperating with enterprises based in Chinese mainland on overseas investment, including providing them with decision-making supporting information and public services to help them with all kinds of investment negotiation.
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## (VI) 1-2-4. Government Policy for Foreign Investment

### Hainan's performance

- ▶ The liberalization and facilitation of investment is one of the important concerns in the construction of Hainan Free Trade Port in the current stage. Hainan has made remarkable progress in investment liberalization and facilitation by promoting minimal approval procedures in all respects, strengthening property right protection and implementing negative lists for foreign investment access.
- ▶ In such a background, after the survey and evaluation of the attractiveness of policies for attracting foreign trade investment, the implementation effect of policies for attracting foreign trade investment, facilitation of foreign investment and protection of foreign investment, it could be found that Hainan has done a good job in the attractiveness of policies for attracting foreign trade investment and foreign investment protection, yet more efforts are needed for further implement policies for attracting foreign trade investment and facilitating foreign investment.

### Comparison

**Table 1-2-4 Parallel comparison of Hainan's government policy for foreign investment**

Reference	Echelon	Evaluative dimension
Singapore		
Hong Kong, China	First echelon	① Attractiveness of policies for attracting foreign trade investment
Dubai		
<b>Hainan</b>		② Implementation effect of policies for attracting foreign trade investment
Bahamas	Second echelon	③ Facilitation of foreign investment
Thailand		
Mauritius	Third echelon	④ Protection of foreign investment

### Sharing

To further accelerate the convergence of foreign investment in Hainan and consolidate the foundation for the first development stage of Hainan Free Trade Port, by learning from experiences of regions doing better, the following three suggestions are given:

- ▶ **Improve dispute settlement mechanisms for foreign investment.** In the respect, Hainan could try to learn from the practices of Singapore and focus on innovating commercial dispute settlement mechanisms. For instance, in terms of legal services for commercial dispute settlement, Hainan could introduce international renowned arbitration organizations for commercial disputes and try commercial dispute settlement mechanisms combining mediation, arbitration and litigation, thus providing international and convenient dispute settlement services.
- ▶ **Implement higher standards for foreign investment access and market access.** Hainan should improve its lists on cross-border trade in services for Hainan against the *Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)* and the *Regional Comprehensive Economic Partnership (RCEP)*.
- ▶ **Create an enabling international atmosphere for foreign businesses.** Efforts are needed to



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provide hardware and software facilities meeting international standards, such as office buildings, schools and hospitals meeting international standards.

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## (VII) 1-3-1. Facilitation of Cross-border Capital Flows

Hainan's performance	<p>▶ Since Hainan is still in the starting stage of “finance deepens opening-up”, it lags much behind Hong Kong and Singapore with eased finance control, despite active efforts made in the facilitation of cross-border capital flows, including launching the Free Trade Account, and the QDLP and QFLP two-way investment channels for cross-border capital.</p>																							
Comparison	<p><b>Table 1-3-1 Parallel comparison of Hainan’s facilitation of cross-border capital flows</b></p> <table border="1"> <thead> <tr> <th style="background-color: #ffff00;">Reference</th> <th style="background-color: #ffff00;">Echelon</th> <th style="background-color: #ffff00;">Evaluative dimension</th> </tr> </thead> <tbody> <tr> <td>Hong Kong, China</td> <td></td> <td></td> </tr> <tr> <td>Singapore</td> <td rowspan="2">First echelon</td> <td>① Openness of financial policies</td> </tr> <tr> <td>Dubai</td> <td>② Facilitation of exchange and settlement of cross-border capital in local and foreign currencies</td> </tr> <tr> <td>Bahamas</td> <td rowspan="3">Second echelon</td> <td>③ Facilitation of investment of cross-border capital in local and foreign currencies</td> </tr> <tr> <td>Mauritius</td> <td></td> </tr> <tr> <td>Thailand</td> <td></td> </tr> <tr> <td style="background-color: #cccccc;"><b>Hainan</b></td> <td rowspan="2">Third echelon</td> <td>④ Facilitation of banks’ confirmation of trade authenticity</td> </tr> <tr> <td>Philippines</td> <td></td> </tr> </tbody> </table>	Reference	Echelon	Evaluative dimension	Hong Kong, China			Singapore	First echelon	① Openness of financial policies	Dubai	② Facilitation of exchange and settlement of cross-border capital in local and foreign currencies	Bahamas	Second echelon	③ Facilitation of investment of cross-border capital in local and foreign currencies	Mauritius		Thailand		<b>Hainan</b>	Third echelon	④ Facilitation of banks’ confirmation of trade authenticity	Philippines	
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<b>Hainan</b>	Third echelon	④ Facilitation of banks’ confirmation of trade authenticity																						
Philippines																								
Sharing	<p>To further propel free and convenient cross-border capital flows of Hainan Free Trade Port, advance the overall opening-up process of the finance sector, and encourage the further convergence of domestic and international cross-border trade investment factors in Hainan, by drawing from experiences of regions doing better in this respect, the following two suggestions are given:</p> <p>▶ <b>Explore trial paths to relax financial control.</b> The focus should be on relaxing control over capital projects, trying the management of balance free fund inflow and outflow, and setting up pilot multi-currency payment and settlement centers, to advance the internationalization process of RMB.</p> <p>▶ <b>Try to build and perfect fund flow monitoring and risk prevention and control systems.</b> Besides learning from areas doing better in this respect in China and strengthening financial risk control and prevention, Hainan should improve risk detection and assessment frameworks for financial institutions and implement effective financial risk prevention and treatment plans.</p>																							

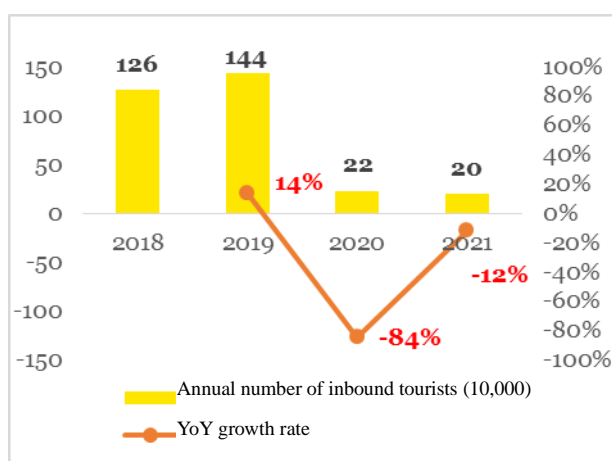
## (VIII) 2-1-1. Number of Inbound Tourists

### Hainan's performance

- ▶ Hainan is in the third echelon on this indicator. Hainan has been putting major efforts into international tourism recently. As of now, people from 59 countries could enjoy visa-free tourism and offshore duty-free shopping here. Unfortunately, the inbound and outbound tourism has been impacted by the COVID-19 pandemic. The potential of international tourism hasn't been fulfilled yet.
- ▶ Hainan has taken multiple measures to revitalize the tourism market. It is poised to develop inbound tourism, optimize consumption environment and improve tourist service quality, to develop into an international tourism consumption center. To make it more attractive to international tourists, Hainan has adopted more open visa-free entry policies and better talent attraction policies and offers more convenient high-end tourist entry-exit services.

**Table 2-1-1 Vertical & parallel comparison of Hainan's number of inbound tourists**

**(a) Vertical comparison (2018-2021)**



**(b) Parallel comparison (2018-2020 mean)**

Reference	Inbound tourists 10,000	Echelon
Hong Kong, China	4,154	First echelon
Thailand	2,826	
Singapore	1,346	
Dubai	1,272	Second echelon
Philippines	564	
Bahamas	522	
Mauritius	106	Third echelon
<b>Hainan</b>	<b>97</b>	echelon

### Comparison

Apart from the eased visa policies of the references in the first echelon to attract international tourists, Hainan should learn from their horizontal linkage and promotion of industries:

### Sharing

- ▶ Singapore encourages the development of the convention and exhibition industry, to stimulate high-end tourism. Honored as an international conference capital, Singapore has embarked on a development path of deeply integration of convention & exhibition industry and tourism. 1) Singapore **attaches importance to production and introduction of tourism and convention &**

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**exhibition talents**, having established many globally renowned hotel management colleges such as the Shatec Institutes. Active efforts are made to source well-known overseas management service providers and professional agents. 2) **Singapore has canceled the convention & exhibition application and approval system, making it easier to organize such events.** Domestic and foreign exhibitors don't need to register with the government before organizing or participating in conventions & exhibitions in Singapore. 3) The Singapore government provides convention & exhibition undertaking organizations with financial support, sets up tourism incentive departments and takes many tourism incentives, such as the **Tourism Development Assistance Scheme** and the **re-visit incentives**, to boost the convention & exhibition industry of this country.

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## (IX) 2-1-2. Facilitation of Foreign Labor Recruitment

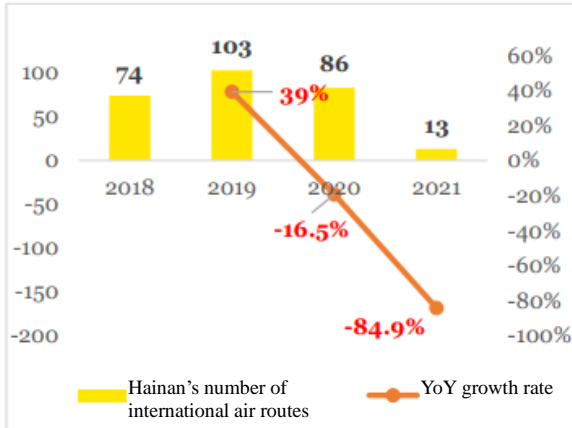
Hainan's performance	<ul style="list-style-type: none"> <li>▶ Hainan aims to be a regional talent hub and a gathering place of international talents. By late 2021, 12 talent introduction policies had been laid down, among which eight are for encouraging international talent introduction. Talent policies have been well equipped, and the initial effect of comprehensive talent development mechanism is seen.</li> <li>▶ Since the needs of market entities for foreign talents haven't been fully unleashed, it's needed to further attract investment and stimulate the market vitality. Efforts should be made to source targeted international talents, reform the talent development institution and make innovation in foreign talent introduction and management, thus narrowing the international talent resource gap between Hainan and areas doing better.</li> </ul>																											
Comparison	<p style="text-align: center;"><b>Table 2-1-2 Parallel comparison of Hainan's facilitation of foreign labor recruitment</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #ffff00;"> <th style="width: 30%;">Reference</th> <th style="width: 20%;">Echelon</th> <th style="width: 50%;">Evaluative dimension</th> </tr> </thead> <tbody> <tr> <td>Singapore</td> <td></td> <td></td> </tr> <tr> <td>Hong Kong, China</td> <td>First echelon</td> <td></td> </tr> <tr> <td>Dubai</td> <td></td> <td></td> </tr> <tr> <td>Thailand</td> <td></td> <td>① Soundness of foreign talent enrollment mechanisms</td> </tr> <tr> <td>Bahamas</td> <td>Second echelon</td> <td>② Soundness of foreign talent guarantee systems</td> </tr> <tr> <td>Mauritius</td> <td></td> <td></td> </tr> <tr style="background-color: #cccccc;"> <td><b>Hainan</b></td> <td></td> <td></td> </tr> <tr> <td>Philippines</td> <td>Third echelon</td> <td></td> </tr> </tbody> </table>	Reference	Echelon	Evaluative dimension	Singapore			Hong Kong, China	First echelon		Dubai			Thailand		① Soundness of foreign talent enrollment mechanisms	Bahamas	Second echelon	② Soundness of foreign talent guarantee systems	Mauritius			<b>Hainan</b>			Philippines	Third echelon	
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Sharing	<p>For Hainan to attract and retain foreign talents, by learning from experiences of the regions doing better, the following three suggestions are given:</p> <ul style="list-style-type: none"> <li>▶ <b>Roll out more open and convenient talent introduction and immigrant service management mechanism.</b> Hainan could make full use of the legislative power granted by the central government to establish a foreigner management legal system working for the free trade port. It could try a classified management of foreigners' work permits.</li> <li>▶ <b>Continue to introduce quality education resources.</b> Hainan could cooperate with well-known domestic and overseas education and training institutions, to drive talent internationalization with education and training internationalization, preparing more talents meeting international development needs for its future development.</li> <li>▶ <b>Build international talent communities in key industrial parks.</b> Hainan should build areas meeting the living, recreation, shopping, education and medical care needs of foreign talents,</li> </ul>																											

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from perspectives of innovation and entrepreneurship services, international cultural atmosphere, life services, talent policies and market-oriented operation, so as to form a mutually benefiting landscape where talent lead the industry development and industries gather talents.

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## (X) 2-2-1. Number of International Air Routes

Hainan's performance	<ul style="list-style-type: none"> <li>▶ Hainan's air transportation is dominated by passenger transportation. Under the impact of the COVID-19 pandemic, many international air routes were suspended in 2021, and are still to recover.</li> <li>▶ <b>Hainan makes active use of the window period, laying a solid foundation for the future development.</b> Hainan has been active in building international aviation infrastructure and developing international air freight business in recent years. After the 5th freedom of the air is opened, it's planning to open the 7th freedom of the air, to respond to challenges and seize opportunities brought about by the fast growth of passenger and cargo transportation and lay a solid foundation for Hainan to build an international air hub in this region.</li> </ul>																																										
Comparison	<p><b>Table 2-2-1 Vertical &amp; parallel comparison of Hainan's number of international air routes</b></p> <div style="display: flex; justify-content: space-around;"> <div style="width: 45%;"> <p><b>(a) Vertical comparison (2018-2021)</b></p>  <table border="1"> <caption>Data for (a) Vertical comparison (2018-2021)</caption> <thead> <tr> <th>Year</th> <th>Number of international air routes</th> <th>YoY growth rate</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>74</td> <td>-</td> </tr> <tr> <td>2019</td> <td>103</td> <td>39%</td> </tr> <tr> <td>2020</td> <td>86</td> <td>-16.5%</td> </tr> <tr> <td>2021</td> <td>13</td> <td>-84.9%</td> </tr> </tbody> </table> </div> <div style="width: 45%;"> <p><b>(b) Parallel comparison (2018-2020 mean)</b></p> <table border="1"> <thead> <tr style="background-color: #ffff00;"> <th>Reference</th> <th>Number of international air routes</th> <th>Echelon</th> </tr> </thead> <tbody> <tr> <td>Singapore</td> <td>400</td> <td></td> </tr> <tr> <td>Dubai</td> <td>238</td> <td>First echelon</td> </tr> <tr> <td>Hong Kong, China</td> <td>145</td> <td></td> </tr> <tr style="background-color: #d3d3d3;"> <td><b>Hainan</b></td> <td><b>68</b></td> <td>Second echelon</td> </tr> <tr> <td>Thailand</td> <td>62</td> <td></td> </tr> <tr> <td>Philippines</td> <td>60</td> <td></td> </tr> <tr> <td>Bahamas</td> <td>52</td> <td>Third echelon</td> </tr> <tr> <td>Mauritius</td> <td>40</td> <td></td> </tr> </tbody> </table> </div> </div>	Year	Number of international air routes	YoY growth rate	2018	74	-	2019	103	39%	2020	86	-16.5%	2021	13	-84.9%	Reference	Number of international air routes	Echelon	Singapore	400		Dubai	238	First echelon	Hong Kong, China	145		<b>Hainan</b>	<b>68</b>	Second echelon	Thailand	62		Philippines	60		Bahamas	52	Third echelon	Mauritius	40	
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Sharing	<p>Good practices of Singapore, which is in the first echelon on this indicator, in international aviation opening-up and development that Hainan should learn from:</p> <ul style="list-style-type: none"> <li>▶ <b>Signing mutual airspace opening agreements with many countries to cultivate a highly open international aviation market.</b> Singapore has signed air transport agreements with many countries and regions with 130 and more countries and regions, removing obstacles in air routes to and from Singapore.</li> <li>▶ <b>Integrated management services and efficient central terminal station.</b> Changi Airport Group operates an airport free trade park. Both the Changi Airport Center and the Airport Logistics Park Singapore meet the policy requirements for a free trade park. Changi Airport Group and</li> </ul>																																										

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Singapore Airlines form a good partnership in narrowing the gap between flights, having shortened the transfer time of passengers and their luggage to 45 minutes at the fastest.

- ▶ **Innovating financial policies and easing tax burden on enterprises.** Singapore has launched the Approved Shipping & Logistics plan. The corporate income tax rate for aircraft leasing income has been lowered from 17% to 5%. Loans for buying aircrafts or aircraft engines are exempted from withholding taxes. Besides, Singapore has attracted the top 10 aircraft leasing companies worldwide with preferential bilateral tax agreements, making itself one of the most important aviation financial leasing centers in the globe.
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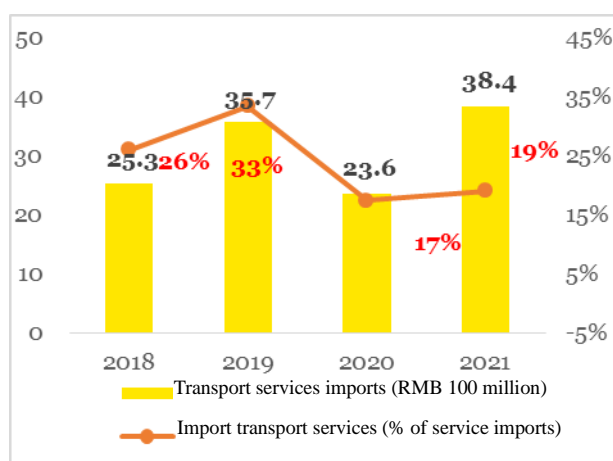
## (XI) 2-2-2. Import Transport Services (% of Service Imports)

### Hainan's performance

- ▶ The facilitation of international cargo flows is impacted by the COVID-19 pandemic. Hainan 1) is active in building international logistics supply chains; 2) is working on the construction and upgrading of hardware and software facilities, by using ports and industrial parks as innovation demonstration bases and carriers; 3) keeps lowering the logistics and transportation costs by providing policy supports, having secured a trend of stable and healthy development of trade in transport services by taking multiple measures parallel.

**Table 2-2-2 Vertical & parallel comparison of Hainan's import transport services (% of service imports)**

**(a) Vertical comparison (2018-2021)**



**(b) Parallel comparison (2018-2020 mean)**

Reference	Import transport services (% of service imports)	Echelon
Dubai	55.0%	First echelon
Thailand	35.6%	
Singapore	30.9%	
Mauritius	28.9%	Second echelon
<b>Hainan</b>	<b>25.6%</b>	
Hong Kong, China	24.4%	
Bahamas	22.9%	Third echelon
Philippines	20.1%	

### Comparison

Good practices of references in the first echelon on the indicator of import transport services that Hainan should learn from:

### Sharing

- ▶ Dubai **adopts the convenient “airport + comprehensive port + free trade zone” logistics operation mode.** Dubai connects airports, ports and free trade zones with scientifically planned logistics channels. It takes only 20 minutes to finish clearance and port transfer of cargo along this transportation chain. Such innovative efforts are attracting more transfer transport business here.
- ▶ The Singapore government has launched a **chartered international shipping scheme** and a

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**maritime financial preference scheme**, under which it has reduced taxes for shipping enterprises and shipping services, and built a complete industry chain covering shipping transaction, ship brokerage, shipping information, ship maintenance, and maritime training.

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## (XII) 2-2-3. Competency of International Trade Transportation Services

Hainan's performance	<ul style="list-style-type: none"> <li>▶ At present, Hainan Free Trade Port lags much behind world transportation trade powers in competency of international trade transportation services, and it is still in a weak position in the international logistics and transportation market.</li> <li>▶ Over 50% of the respondents believe that Hainan is initially ready for international trade in terms of infrastructure, but efforts are still needed to ensure service systems and business environment meeting international needs, sound legal environment, adequate service resources and efficient service operation systems that are offered in foreign places doing better in this respect.</li> </ul>																	
Comparison	<p style="text-align: center;"><b>Table 2-2-3 Parallel comparison of competency of international trade transportation services</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #ffff00;"> <th style="width: 30%;">Reference</th> <th style="width: 20%;">Echelon</th> <th style="width: 50%;">Evaluative dimension</th> </tr> </thead> <tbody> <tr> <td>Singapore</td> <td rowspan="3" style="text-align: center; vertical-align: middle;">First echelon</td> <td rowspan="3" style="vertical-align: top;">①Infrastructure construction</td> </tr> <tr> <td>Hong Kong, China</td> </tr> <tr> <td>Dubai</td> </tr> <tr> <td>Thailand</td> <td rowspan="3" style="text-align: center; vertical-align: middle;">Second echelon</td> <td rowspan="3" style="vertical-align: top;">②Service quality and frequency ③Comprehensive logistics costs</td> </tr> <tr style="background-color: #cccccc;"> <td style="text-align: center;"><b>Hainan</b></td> </tr> <tr> <td>Bahamas</td> </tr> <tr> <td>Philippines</td> <td rowspan="2" style="text-align: center; vertical-align: middle;">Third echelon</td> <td></td> </tr> <tr> <td>Mauritius</td> </tr> </tbody> </table>	Reference	Echelon	Evaluative dimension	Singapore	First echelon	①Infrastructure construction	Hong Kong, China	Dubai	Thailand	Second echelon	②Service quality and frequency ③Comprehensive logistics costs	<b>Hainan</b>	Bahamas	Philippines	Third echelon		Mauritius
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Mauritius																		
Sharing	<p>For Hainan to significantly improve the competency of international trade transportation services, by learning from experiences of the regions doing better, the following three suggestions are given:</p> <ul style="list-style-type: none"> <li>▶ <b>Improve laws, regulations and policies.</b> Hainan should formulate more policies to spur trade in transportation services, such as tax incentives, insurance supports and government subsidies.</li> <li>▶ <b>Put effort into production and selection of transportation talents.</b> It's suggested that the government should take the responsibility to lay down transportation talent production and selection mechanisms and ensure stable talent sources, so as to fundamentally solve the problem of lack of professional personnel in the transportation industry.</li> <li>▶ <b>Build unified management platform and lift the administrative service efficiency.</b> It's suggested that Hainan further establish a unified and scientific large platform management system and integrate customs, inspection and quarantine, ports, transportation and other functions in a unified information management platform, to avoid overlapping of regulatory models or unitary or decentralized function and resource utilization. Functions, policies,</li> </ul>																	

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supervision and legal systems of administrative service management departments should be coordinated, to ensure balance and mutual supplement.

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### (XIII) 2-3-1. Telecommunications, Computer and Information Services Imports

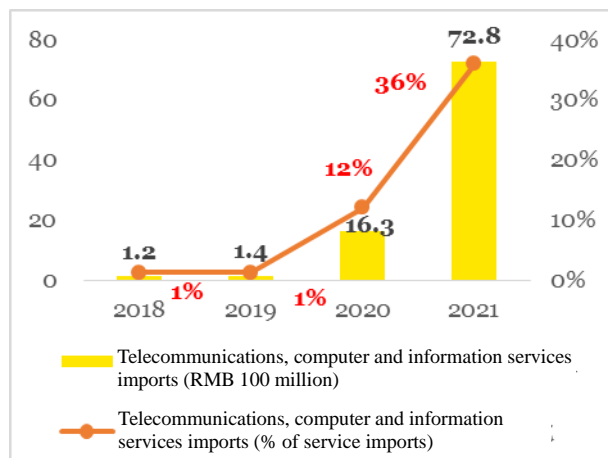
#### (% of Service Imports)

#### Hainan's performance

- ▶ In 2018, after General Secretary Xi Jinping made an important speech on “April 13”, Hainan’s structure of trade in services kept improving. The new-type trade in services featured with “knowledge intensive” and “technology intensive” grew by leaps and bounds. Innovative development was driven by technologies.
- ▶ In 2019, after the *Regulations on the Development and Application of Big Data in Hainan* took effect, Hainan further improved data sharing, publishing and security guarantee mechanisms, which gave further play to the digital economy to enable the development of all business models and narrow the gap between Hainan and the advanced areas.
- ▶ In 2021, telecommunications, computer and information services were again the fastest growing and largest sector in Hainan. The import trade volume soared by 347% and shared as high as 36% of the total service imports, hitting another record high.

**Table 2-3-1 Vertical & parallel comparison of Hainan’s telecommunications, computer and information services imports (% of service imports)**

**(a) Vertical comparison (2018-2021)**



**(b) Parallel comparison (2018-2020 mean)**

Reference	ICT imports (% of service imports)	Echelon
Singapore	8.49%	First echelon
Mauritius	6.71%	
Philippines	5.57%	Second echelon
Dubai	5.35%	
<b>Hainan</b>	<b>4.87%</b>	
Hong Kong, China	3.15%	Third echelon
Thailand	1.58%	
Bahamas	0.03%	

#### Comparison

#### Sharing

With regard to telecommunications, computer and information services imports, by learning from experiences of the regions doing better, the following three suggestions are given:

- ▶ The Mauritius government has announced to develop this country into a “**Communication Island**” to attract IT-enabled services, thus providing online B2B business solutions to clients in

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financial, HR, administrative, medical care, telecommunication and manufacturing fields.

- ▶ **The Singapore government launches digital projects to create more business development opportunities.** The Singapore government has launched a number of digital government service projects, including the So Easy project in 2015 and the My Info one-stop government affair and service website in 2017, to attract world front-running enterprises into this country for digital project operation.
  - ▶ **The Singapore government establishes a government data publishing platform through overall planning.** By improving industrial infrastructure and the facilitation of basic data application, Singapore has made the government's decision-making model more intelligent and the government's power using more transparent, and motivated enterprises in business operation in digital manner.
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## (XIV) 2-3-2. Telecommunications, Computer and Information Services Exports

(% of Service Exports)

<b>Hainan's performance</b>	<ul style="list-style-type: none"> <li>▶ In 2020, Hainan was approved to set up a regional authority for international communication business, which helps to further open up communication resources and increase business size. Besides, the industry supporting policies have come into play, further lifting Hainan's international data and communication service competency, and promoting its information and communication technology services in overseas markets.</li> <li>▶ In the same year, Hainan's telecommunications, computer and information services exports grew by 189% and shared 18% of the service exports, both hitting a record high.</li> </ul>																																							
<b>Comparison</b>	<p style="text-align: center;"><b>Table 2-3-2 Vertical &amp; parallel comparison of Hainan's telecommunications, computer and information services exports (% of service exports)</b></p> <div style="display: flex; justify-content: space-around;"> <div style="width: 45%;"> <p style="text-align: center;"><b>(a) Vertical comparison (2018-2020)</b></p> <table border="1"> <caption>Data for (a) Vertical comparison (2018-2020)</caption> <thead> <tr> <th>Year</th> <th>Value (RMB 100 million)</th> <th>% of Service Exports</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>1.70</td> <td>1.98%</td> </tr> <tr> <td>2019</td> <td>3.10</td> <td>2.74%</td> </tr> <tr> <td>2020</td> <td>8.96</td> <td>18%</td> </tr> </tbody> </table> </div> <div style="width: 45%;"> <p style="text-align: center;"><b>(b) Parallel comparison (2018-2020 mean)</b></p> <table border="1"> <thead> <tr> <th>Reference</th> <th>ICT exports (% of service exports)</th> <th>Echelon</th> </tr> </thead> <tbody> <tr> <td>Philippines</td> <td>15.99%</td> <td>First echelon</td> </tr> <tr> <td>Dubai</td> <td>9.93%</td> <td>echelon</td> </tr> <tr> <td>Singapore</td> <td>7.76%</td> <td>Second echelon</td> </tr> <tr style="background-color: #cccccc;"> <td><b>Hainan</b></td> <td><b>7.56%</b></td> <td><b>Second echelon</b></td> </tr> <tr> <td>Mauritius</td> <td>6.14%</td> <td></td> </tr> <tr> <td>Hong Kong, China</td> <td>3.53%</td> <td>Third echelon</td> </tr> <tr> <td>Thailand</td> <td>1.01%</td> <td>echelon</td> </tr> <tr> <td>Bahamas</td> <td>0.00%</td> <td></td> </tr> </tbody> </table> </div> </div>	Year	Value (RMB 100 million)	% of Service Exports	2018	1.70	1.98%	2019	3.10	2.74%	2020	8.96	18%	Reference	ICT exports (% of service exports)	Echelon	Philippines	15.99%	First echelon	Dubai	9.93%	echelon	Singapore	7.76%	Second echelon	<b>Hainan</b>	<b>7.56%</b>	<b>Second echelon</b>	Mauritius	6.14%		Hong Kong, China	3.53%	Third echelon	Thailand	1.01%	echelon	Bahamas	0.00%	
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<b>Sharing</b>	<p>The Philippines has made outstanding achievements in this field, and has the following two main merits:</p> <ul style="list-style-type: none"> <li>▶ <b>Creating the third largest offshore service outsourcing region worldwide.</b> The Philippines was one of the “Asian Tigers”, enjoying well prepared industrial infrastructure and industrial talents of appropriate age. In the IT trend sweeping the whole world at the beginning of this century, the Philippines made use of its advantage of low service costs and acted quickly to seize the opportunity to win international ICT service outsourcing markets. Thanks to those efforts, it has become the third largest offshore service outsourcing region in the world.</li> <li>▶ <b>Launching the Electronic Government Master Plan (EGMP).</b> This plan is a blueprint of the</li> </ul>																																							

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Philippine government to integrate ICT solutions and is implemented by government departments and advanced science and technology institutes of the country. The aim is to build a digital comprehensive government, to provide the globally competitive Philippines with online public service, streamline government procedures and provide public services. The main goals of the plan are to make full use of the existing ICT programs to install and operate secure government e-mail systems, develop and deploy communication apps, and share services.

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## (XV) 3-1-1. Intellectual Property Payments (% of Service Imports)

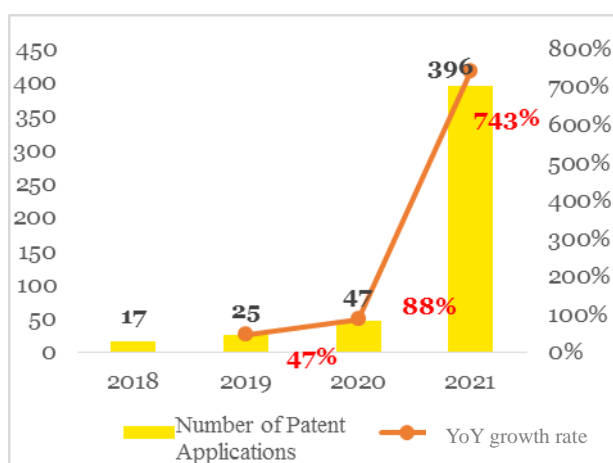
<b>Hainan's performance</b>	<ul style="list-style-type: none"> <li>▶ The high-tech industry is one of the three pillar industries of Hainan, which has increasing needs for high-end productive services.</li> <li>▶ In 2021, Hainan approved the <i>Regulation of the Hainan Free Trade Port on the Protection of Intellectual Property Rights</i>, to protect the practices and experiences of Hainan Free Trade Port with a local regulation. It serves as a strong support and protection of intellectual property rights and helps to create an enabling market environment for high-tech enterprises to develop in Hainan.</li> </ul>																																					
<b>Comparison</b>	<p><b>Table 3-1-1 Vertical &amp; parallel comparison of Hainan's intellectual property payments (% of service imports)</b></p> <div style="display: flex; justify-content: space-around;"> <div style="width: 45%;"> <p><b>(a) Vertical comparison (2018-2021)</b></p> <table border="1"> <caption>Data for (a) Vertical comparison (2018-2021)</caption> <thead> <tr> <th>Year</th> <th>Intellectual property payments imports (RMB 100 million)</th> <th>Intellectual property payments (% of service imports)</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>16.72</td> <td>17%</td> </tr> <tr> <td>2019</td> <td>15.79</td> <td>15%</td> </tr> <tr> <td>2020</td> <td>30.31</td> <td>22%</td> </tr> <tr> <td>2021</td> <td>35.03</td> <td>17%</td> </tr> </tbody> </table> </div> <div style="width: 45%;"> <p><b>(b) Parallel comparison (2018-2020 mean)</b></p> <table border="1"> <thead> <tr style="background-color: #FFD700;"> <th>Reference</th> <th>Intellectual property payments (% of service imports)</th> <th>Echelon</th> </tr> </thead> <tbody> <tr style="background-color: #D3D3D3;"> <td>Hainan</td> <td>18.2%</td> <td rowspan="3">First echelon</td> </tr> <tr> <td>Thailand</td> <td>9.5%</td> </tr> <tr> <td>Singapore</td> <td>8.8%</td> </tr> <tr> <td>Dubai</td> <td>3.4%</td> <td rowspan="3">Second echelon</td> </tr> <tr> <td>Philippines</td> <td>3.1%</td> </tr> <tr> <td>Hong Kong, China</td> <td>2.8%</td> </tr> <tr> <td>Mauritius</td> <td>0.8%</td> <td rowspan="2">Third echelon</td> </tr> <tr> <td>Bahamas</td> <td>0.5%</td> </tr> </tbody> </table> </div> </div>	Year	Intellectual property payments imports (RMB 100 million)	Intellectual property payments (% of service imports)	2018	16.72	17%	2019	15.79	15%	2020	30.31	22%	2021	35.03	17%	Reference	Intellectual property payments (% of service imports)	Echelon	Hainan	18.2%	First echelon	Thailand	9.5%	Singapore	8.8%	Dubai	3.4%	Second echelon	Philippines	3.1%	Hong Kong, China	2.8%	Mauritius	0.8%	Third echelon	Bahamas	0.5%
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<b>Sharing</b>	<p>Although Hainan comes out top by intellectual property payments (% of service imports), it should learn from the experiences of Thailand.</p> <ul style="list-style-type: none"> <li>▶ Thailand has formulated sound laws, regulations and rules to protect intellectual property rights. It has specific laws for different types of intellectual property rights, to prevent IP infringement by enterprises or individuals from different angles, regulate IP economic and trade activities, and provide domestic and foreign-funded enterprises with equal IP protection.</li> </ul>																																					

## (XVI) 3-1-2. Number of PCT Patent Applications

Hainan's performance	<ul style="list-style-type: none"> <li>▶ During 2018-2020, the number of PCT patent applications was low. But the number grew fast in 2021, with a YoY growth rate as high as 7 times.</li> <li>▶ Hainan has been devoting vigorous efforts to IP protection and application. By founding the China (Sanya) Intellectual Property Protection Center, it has gradually built a comprehensive IP service system meeting international standards, being a strong service support for technological innovation and research achievement transfer. The goal is to build its “free trade port model” of IP public services.</li> </ul>
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**Table 3-1-2 Vertical & parallel comparison of Hainan’s number of PCT patent applications**

**(a) Vertical comparison (2018-2021)**



**(b) Parallel comparison (2018-2020 mean)**

Reference	Number of PCT patent applications	Echelon
Hong Kong, China	18,025	First echelon
Singapore	4,476	
Thailand	1,685	
Philippines	920	Second echelon
Dubai	108	
<b>Hainan</b>	<b>30</b>	Third echelon
Mauritius	27	
Bahamas	N/A	

Comparison

Good practices of references in the first echelon on the indicator of number of PCT patent applications that Hainan should learn from:

Sharing

- ▶ The Intellectual Property Office of Singapore has launched a one-stop online IP registration platform, on which the registration of invention patents, trademarks, appearance designs and other IPs could be finished just at one window. Meanwhile, it has introduced the **globally first mobile app for trademark registration named IPOS Go**, which helps to greatly reduce the procedures and time needed for international patent application.
- ▶ In Hong Kong, Hong Kong Science and Technology Parks Corporation provides technology application, deep technology, and biomedical technology companies with one-stop business

incubation schemes. It strongly supports the incubating entities in starting business, helping them fulfill their technological and entrepreneurial goals. It's also creating a friendly environment for market-oriented IP operation of start-ups, thus stimulating the innovation vitality of the market.

**Incubation plans of Hong Kong Science and Technology Parks Corporation (part)**

<b>Incubation plan</b>	<b>Object</b>	<b>Incubation time</b>	<b>Supportive services</b>
HKSTP INCUBATION	Technological start-ups	3 years	Research support, mentoring service, investor-investee matching, etc.
Incu-Bio	Biomedical start-ups	4 years	Carry out research activities, develop world-class R&D programs, etc.

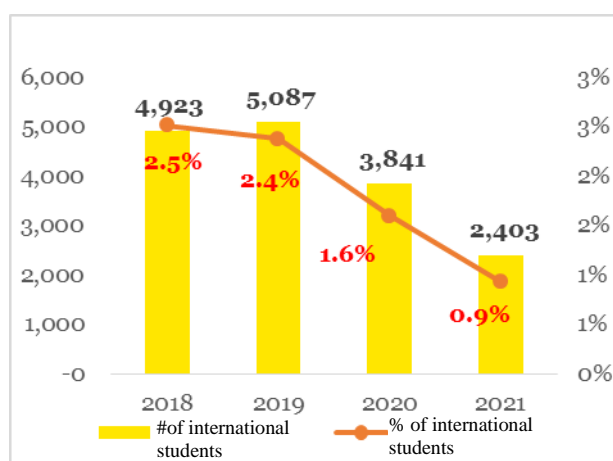
### (XVII) 3-2-1. International Students (% of Total College Students)

Hainan's performance

- ▶ Hainan doesn't do excellently in higher education resources (including the number of colleges and universities) or university prestige. Its openness in education is also low at present. The openness of international education is further impacted by the global pandemic.
- ▶ Fortunately, it's a good time to develop in the new era. Backed by preferential policies and late-mover advantages, Hainan is stepping up the construction of an innovative island of international education, and the building of a new benchmark of opening-up and development of Chinese education in the new era. Chinese-foreign education cooperation projects are advancing steadily in Hainan. It's building an image of "Study in Hainan = study abroad". A higher education system geared to international standards is being formed in an accelerated way.

**Table 3-2-1 Vertical & parallel comparison of Hainan's international students (% of total college students)**

**(a) Vertical comparison (2018-2021)**



**(b) Parallel comparison (2018-2021 mean)**

Reference	International students (% of total college students)	Echelon
Dubai	44.3%	First echelon
Hong Kong, China	36.7%	
Singapore	27.0%	Second echelon
Mauritius	5.3%	
<b>Hainan</b>	<b>2.2%</b>	Third echelon
Philippines	2.2%	
Thailand	1.6%	Third echelon
Bahamas	N/A	

Comparison

Good practices of references in the first echelon in terms of attracting international students that Hainan should learn from:

Sharing

- ▶ Singapore has built a diversified and scientific education system geared to international standards. Academic degrees and diplomas of all majors are recognized in the international community. There are public universities, private universities, vocational schools, art schools, etc., in

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Singapore.

- ▶ Hong Kong supports international students with specified policies and the government offers multiple scholarships.
  - ▶ Dubai attracts international students with supportive policies, helps them with their visa application, and makes it easier and more secure for them to do part-time job there.
-

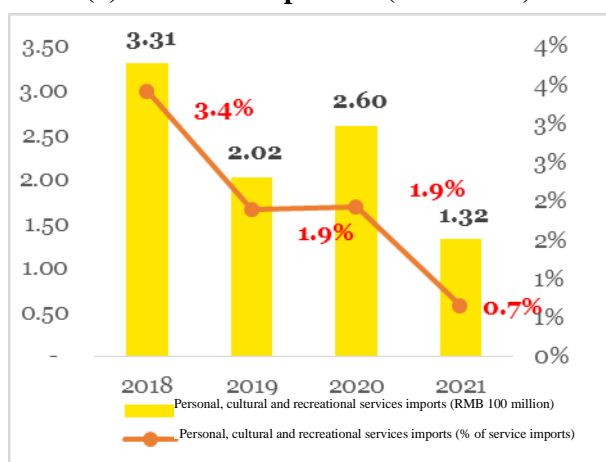
**(XVIII) 3-2-2. Personal, Cultural and Recreational Services Imports (% of Service Imports)**

Hainan's performance

- ▶ Being serious about cultural development for the free trade port, Hainan is taking different measures to promote its status of a free trade port, such as expanding trade in cultural services and organizing different cultural activities. Specifically, steady progress is being made in the construction of a national pilot zone of high-quality integrated development of culture and tourism, national base of international trade in culture, and “Belt and Road” international cultural exchange base. The aim is to develop Hainan into an important window for demonstrating the cultural confidence of China.

**Table 3-2-2 Vertical & parallel comparison of Hainan’s personal, cultural and recreational services imports (% of service imports)**

**(a) Vertical comparison (2018-2021)**



**(b) Parallel comparison (2018-2020 mean)**

Reference	Personal, cultural and recreational services imports (% of service imports)	Echelon
Mauritius	3.16%	First echelon
<b>Hainan</b>	<b>2.41%</b>	
Philippines	0.84%	
Singapore	0.26%	Second echelon
Hong Kong, China	0.17%	
Thailand	0.08%	
Dubai	N/A	Third echelon
Bahamas	N/A	

Comparison

Sharing

- ▶ Mauritius provides diverse cultural carriers, such as museums, theaters and other cultural infrastructure, as cultural exchange platforms for enterprises and individuals. It improves laws on culture and has formulated bills for cultural institutions, to ensure smooth advancement of cultural exchange activities.

**Cultural infrastructure and bills of Mauritius (part)**

	<b>Cultural infrastructure</b>	<b>Cultural bills</b>
	Frederick Hendrick Museum	Copyright Act (2014)
	National History Museum	Arabic-speaking Union Act (2011)
	Natural History Museum	Bhojpuri-speaking Union Act (2011)
<b>Museums</b>	Mauritius People's Museum	Chinese-speaking Trade Unions Act (2011)
	Robert Edward Hart Memorial Museum	Creole-speaking Union (Amendment) Act (2011)
	SSR Cultural memorial Museum	Marathi-speaking Union Act (2008)
<b>Performance theaters</b>	Theatre for Reading and Cultural Events	Tamil-speaking Union Act (2008)
	Pointe Canon Open Air Theatre	Telugu-speaking Union Act (2008)
	Serge Constantine Theatre	National Gallery Act (1999)

### (XIX) 3-2-3. Cultural Inclusiveness

**Hainan's performance**

► Hainan Free Trade Port is under construction now, so it lacks international cultural diversity. Infrastructure like libraries, theaters, cultural troupes is limited, and can't meet the need for international development of the city. Further investment should be made in public services.

**Table 3-2-3 Parallel comparison of Hainan's cultural inclusiveness**

Reference	Echelon	Evaluative dimension
Singapore	First echelon	① Equal treatment to people from all countries
Hong Kong, China		② Providing multilingual services
Dubai		③ Offering diversified performances of international cultural works
<b>Hainan</b>	Second echelon	④ Organizing various international sports events
Thailand		⑤ Introducing cultural products from different countries
Bahamas		⑥ Increasing the number and category of cross-cultural organizations
Mauritius	Third echelon	
Philippines		

**Comparison**

For Hainan to diversify international cultures and improve cultural inclusiveness in the free trade port, by learning from experiences of the regions doing better, the following two suggestions are given:

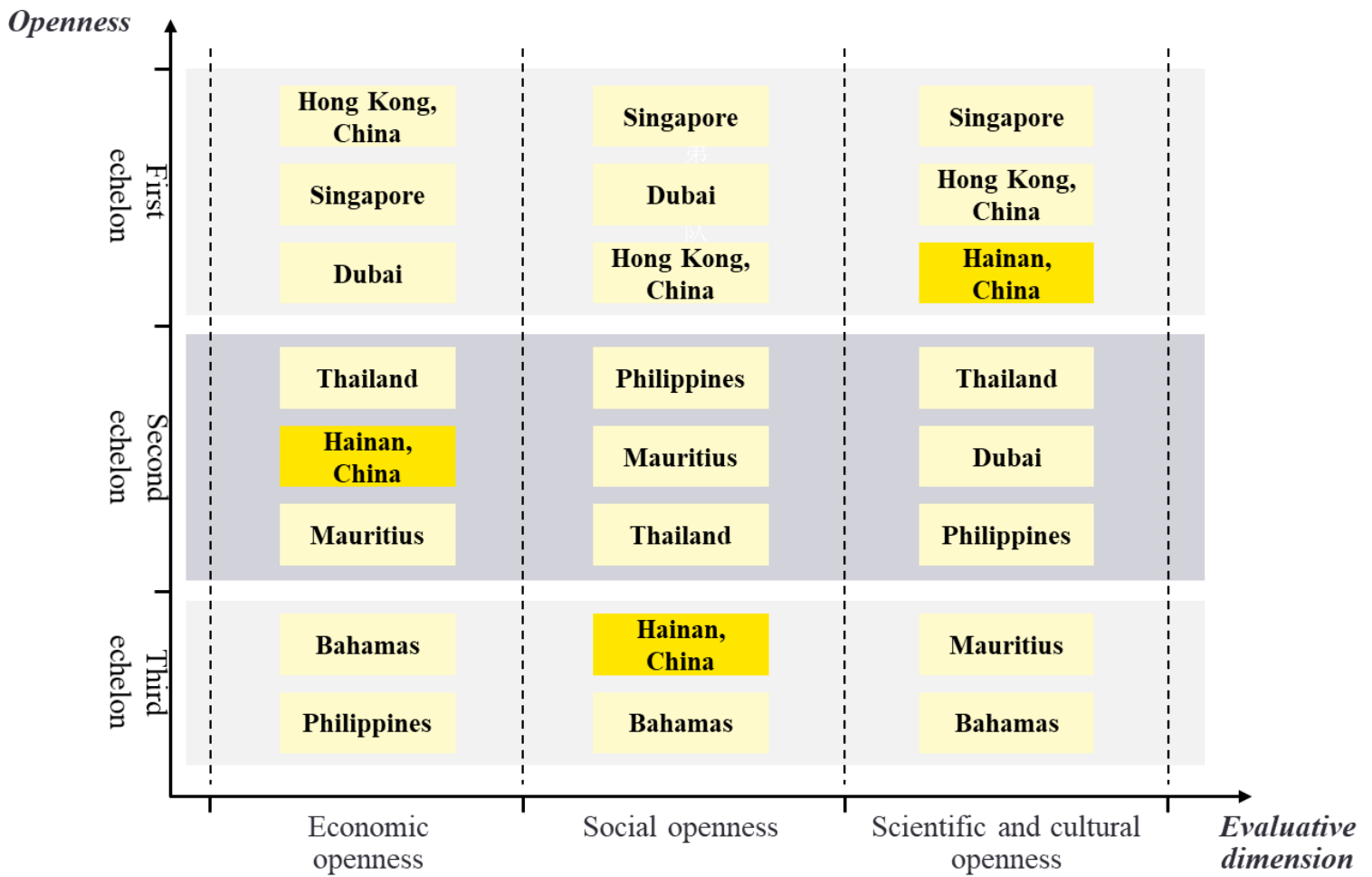
**Sharing**

- **Make cultural exchange activities more “international”.** Backed by international cultural exchange platforms and “Belt and Road” project partners, Hainan should introduce more famous international cultural IPs and performance troupes. It should also organize more cultural exchanges and performance activities like international culture weeks and international art festivals, and it should make full use of its media resources to expand the global influence of its cultural activities.
- **Build innovative cultural exchange carriers.** Hainan should try to develop diversified cultural exchange carriers and modes, such as music, films and TV shows. It should also introduce more international cultural exchange activities popular among young people, and at the same time promote Chinese stories with technologies and creative ideas to the world.



# Chapter III Outlook of and Reflection on Indicator Set for Opening-up Evaluation

Figure 1 Evaluation model of Hainan's Indicator Set for Opening-up



## **I Consolidating benign cycle of economic opening-up, embarking on new journey of economic development**

The Hainan FTP construction has been proceeding with strong momentum since the Overall Plan was released in 2020. Continuous efforts have been made to build a policy system focused on the liberalization and facilitation of trade and investment, with notable improvements in Facilitation of Trading Across Borders, Facilitation of Starting Business, and Promotion of Foreign Direct Investment. A thorough review and summary bring EY to the conclusion that Hainan can further enhance its “Economic Openness” by making innovations in Facilitation of Trading Across Borders, Promotion of Foreign Direct Investment, and Facilitation of Cross-Border Capital Flows.

### **1. Bettering basic conditions for trade to increase regional and international influence.**

The level of convenience at Hainan’s foreign trade ports in a way represents the image of Hainan in the international market. The pilot implementation of FTP policies at key free trade areas prior to the all-island independent customs operation has generated continual “research results”. Therefore, as the RCEP has taken effect, Hainan should seize this time window to accelerate the translation and transfer of “research results” and make cross-border trade more regionally interactive and internationally influential.

The following measures can be adopted: 1) Learning from Hong Kong SAR and Singapore, Hainan can roll out a provincial plan to make overall and systematic arrangements for customs control at all ports across the island, so they can all play a part as Hainan makes deployments for regional and international trade. 2) Hainan should work faster to finalize the last list of its “one negative list and three positive lists” to fully liberalize and facilitate trade in goods at “zero tariff”. It should also foster a convergence point between domestic and international circulation, building on the role of major international exhibitions and conferences such as the China International Consumer Products Expo.

**2. Providing quality services to boost foreign investment in quantity and quality.** The negative list for foreign investment access in Hainan FTP was released in December 2020, which, being the shortest list among domestic FTZs with only 27 items, has already boosted foreign investment in a short period of time. Yet much remains to be done compared with advanced countries and regions. Therefore, Hainan, based on the previous negative list, needs to redouble what it has done right in improving business service and environment, continue to be a thoughtful service provider, and keep up the good service quality. It should work to further shorten the current negative list to demonstrate its later-comer's advantage as a Chinese-style FTP and boost foreign investment to a higher level.

**3. Piloting financial policies to facilitate trade and investment.** With national support, Hainan's try-out in financial opening-up primarily matches its position as an FTP. A basic platform based on free trade accounts is taking shape, and Facilitation of Cross-Border Capital Flows, for which background check goes from ex-ante to ex-post, is taking primary effect. However, more needs to be done to refine supportive financial policies centered on the liberalization and facilitation of trade and investment. For example, in the field of medium- and small-scale cross-border trade mainly comprising "individual" entities, or the field of cross-border wealth management, the flow of capital isn't as liberalized and facilitated as in advanced countries or regions.

Therefore, we suggest Hainan seek to pilot the relaxation of the annual forex quota and restriction in forex use for individuals, in order to attract human-driven international factors and incentivize market entities of all kinds to engage more in reshaping the regional and international industry chain and supply chain. This will further liberalize and facilitate trade and investment across borders.

## **II Creating an open society for international development through new highland of opening-up**

Due to Hainan’s weak industrial foundation, limited international resources and factors, and the halt on international exchange caused by the pandemic, it is currently in the third echelon on “Social Openness”. EY noticed that Hainan, by benchmarking against world-leading level, has made many innovations in personnel flow, cargo transport, and safe and orderly data flow in recent years. It has put in place a whole set of well-conceived and targeted policies and systems to guide and promote the free flow of international factors, in a bid to form an open society.

**1. Attracting talent from around the world via building an international tourism and consumer center.** Hainan should increase the supply of high-quality tourist products, offer visa-free entry and offshore duty-free shopping, and develop star products in tourism, such as “marine tourism”, “sports + tourism”, “conference & exhibition + tourism”, and “shopping + tourism”. Leveraged on existing talent policies, it should refine the talent development framework by innovating talent cultivation mechanism, attracting talent more openly, and improving talent services. Special efforts must be made to ensure that talent will come to Hainan, stay here, and unleash their full potential here to build the FTP together.

**2. Blending into global transport service system with coordinated policies and infrastructure resources.** Hainan is implementing early-stage arrangements for FTP construction in land, sea and air. Favorable policies for port development are taking effect, infrastructure construction projects are moving steadily, and a comprehensive transport service system is taking shape. Hainan’s rising capability of overall operation and international competitiveness will make it stand out as the pandemic phases out over time. To deeply engage in international transport service system, Hainan can draw on Dubai’s experience in the following aspects: building smart ports and terminals to create an international transport hub; fostering coordinated logistics operation and port-city integration for synergy effect; and innovating management system and raising market service efficiency

to realize interconnectivity among ports, the Customs and FTZs as well as government-enterprise collaboration.

**3. Consolidating safe and orderly flow of data to promote open, shared digital economy.** Taking advantage of its policies to facilitate the flow of data across borders, Hainan has opened up its basic and value-added telecom business and conducted Internet data interchange on a trial basis, driving development in a data-safe environment. In addition to intensifying digital infrastructure construction and creating a top-notch communications environment, Hainan should also open up scenarios for the application of big data, blockchain and AI, cultivate a correlated industrial system, and gather elements for cross-border digital economy. That is how it will grow into a leading data interchange center in the Asia Pacific.

### **III Taking in international elements to merge into the new scientific, technological and cultural system**

Hainan, like Singapore and Hong Kong SAR, is in the first echelon under “Scientific, Technological, and Cultural Openness”, which should be attributed to the fact that Hainan’s sci-tech and cultural exchanges have embarked on a new track – higher level, greater depth and broader scope – along with economic and social development after the “April 13” speech in 2018. It has done particularly well in expanding international exchanges, not only importing more IPR, but also actively applying for international patents. However, Hainan needs to make sustained efforts on this indicator. In terms of fostering an international cultural environment, for instance, it should try to shift the focus from high speed to high quality and better coordinate economic and social development. EY suggests Hainan consider innovations in two directions – sci-tech exchange and cultural blending.

**1. Benchmarking against international rules to merge into global IPR protection system.** As Hainan develops the modern industrial system with high-tech industry as the priority, during which its industrial foundation has increasingly strengthened, market entities will have mounting demand for quality IPR management and control. Taking the opportunity of building the China (Sanya) IPR protection center, Hainan can establish an IPR protection system consistent with international standards and development trends. Especially, in reference to the *Madrid Agreement Concerning the International Registration of Marks*, *Berne Convention for the Protection of Literary and Artistic Works*, and other conventions by World Intellectual Property Organization, Hainan can gather and incubate all sorts of elements for sci-tech innovation to consistently fortify the foundation for building a modern industrial system in Hainan.

**2. Introducing foreign-funded industry to lay the groundwork for cultural integration.** Hainan can exert its regional and international influence in a sustained way by consolidating industrial foundation. In developing cultural industry, it should bring in various international elements, including foreign investors, management expertise and talent, and help them

integrate with local industry to give rise to an international cultural industry with unique advantages, thus enhancing Hainan's regional and international influence. For example, it can take the initiative in carrying out the RCEP agreement to attract foreign investors to deeply engage in the industry of recreation and entertainment. Foreign service providers can be allowed to set up sole proprietorships; to build, renovate and operate hotels and restaurants in Hainan; and, without compromising the state's right of censorship of audio and video products, to set up with Chinese partners joint ventures dealing in the distribution of audio and video products. Hainan can also step up international cultural exchanges and cooperation and develop multi-cultural infrastructure and mood, so as to turn itself into a base of foreign trade in culture with greater clout both regionally and internationally.

**3. Conducting international exchange to serve as a window to showcase China's cultural confidence.** In recent years, Hainan has made special efforts to spread Chinese culture and take in international culture. It has pooled excellent educational resources from China and the world to develop cooperative schools, so as to cultivate and retain more international talent; it has actively forged "sister city" relationships and conducted online and offline publicity and promotion of Hainan. Being the "southern gateway" in China's opening-up, Hainan should work ceaselessly to pioneer in the high-quality integration of culture and tourism, to become the main position for foreign trade in culture, and to be the key base for cultural exchanges along the Belt and Road. While building an FTP with Chinese characteristics, it will also grow into an important window to showcase China's cultural confidence.

## **Epilogue-Sailing Toward the Future on Tailwinds**

The world we are living in is witnessing profound changes never seen in a century. The loss of steam and gaining of resistance for economic globalization is bringing more uncertainties to economic stability. Against such a background, the steady progress on the construction of Hainan FTP is showing China's unwavering resolve to open further up to the world. Acting on the April 13 speech in 2018, Hainan has made remarkable achievements in opening-up, striving to be a bellwether in leading the country to integrate deeper with the world.

**“Set sail when the wind is up; work hard to brave the world”**. Going forward, Hainan will continue to follow General Secretary Xi's instruction to “be bold in experiments and make breakthroughs in reform”. It will work harder to build an FTP with Chinese characteristics featuring global vision, international standards and high quality, and create a new highland of reform and opening-up on a higher level, with better business environment, and as a stronger driving force.

**“Keep opening-up, keep blazing new trails”**. With an open mind and steady and solid efforts, Hainan is taking on a new outlook as the pioneer to pilot FTP policies, and it is committed to forging ahead against winds and waves in the critical period of China's opening-up.