

# The Path of High-quality Development of the Free Trade Port under the RCEP Pattern: A Case from Hainan

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**Abstract.** Comprehensive Economic Partnership (RCEP) as the background and Hainan as an example to explore the path of progress of free trade ports under the RCEP framework. With its policy dividend, geographical location advantage and infrastructure upgrading, Hainan Free Trade port is accelerating construction into China's frontier of opening up to RCEP members. However, its development still faces prominent problems such as unbalanced industrial structure, transportation bottleneck restriction, insufficient talent reserve and lagging financial support system. The innovation point of this paper is to combine the RCEP rules with the progress logic with Chinese particularity, so as to provide theoretical reference and practical enlightenment for the institutional opening and the differentiated development path of emerging free trade ports. Through case analysis, this paper analyzes Hainan and try to find the following development paths: First, deepen institutional innovation and formulate policies in line with the actual situation; Second, focus on industries with unique advantages, promote industrial upgrading and deepen international cooperation; Third, promote financial openness and innovation; Fourth, we should pay more attention to education and form a talent siphon effect. The study emphasizes that emerging free trade ports need to base on their own endowments, balance short-term policy dividends and long-term institutional innovation, deepen regional cooperation with RCEP as a link, and provide a "Chinese scheme" for its development in developing countries.

**Keywords:** RCEP; high-quality development; Hainan free trade port.

## 1. Introduction

In 2020, the Regional Comprehensive Economic Partnership Agreement (RCEP) was signed. In order to foster comprehensive, multi-level, and wide-ranging economic and trade cooperation among member nations, RCEP implements the principles of "openness, inclusiveness, and sharing" and offers more equitable, transparent, and high-standard trade regulations. The establishment of member nations' free trade ports, or zones, has been both greatly aided and hindered by the RCEP.

The decision to establish the Hainan Free Trade Port was a strategic determination decided by the Party Central Committee. This decision was made following an deep observation, all-rounded consideration, and prospective planning based on the overall international and domestic development. This initiative signifies a substantial endeavor on the part of China to demonstrate its commitment to expanding its openness to the global community and to proactively fostering economic globalization [1]. The last Five-Year Plan explicitly outlines the objectives with "preliminary establishment of a policy and institutional system with Chinese characteristics". The Hainan Free Trade Port is of significant importance in the context of China's RCEP membership and its role as a pivotal strategic nexus for the Maritime Silk Road. This port holds a substantial reference value for the development of free trade ports worldwide.

## 2. Literature Review

### 2.1. Current Research

There are rich research on the topic about "The Development of Free Trade Ports with the RCEP Pattern". Overall, the focus is on RCEP on the international trade pattern, and there are many researches on national economic development, but fewer focus on the progress of free trade ports.

Researchers generally believe that with the signing and implementation of RCEP, trade barriers between member states will be broken, which is regarded as a positive effect in the progress. However, signing of RCEP also brought challenges such as misalignment of domestic and international policies and intensified domestic competition.

The extant literature focuses on the factors, influence mechanisms and development and realization paths of the RCEP pattern on the progress of the free trade port. Research identified a number of factors that have been shown to exert an influence on the subject in question, as outlined in the extant literature on the subject. These include international trade, tariffs, related policies, e-commerce, and other factors.

In terms of influence mechanism, Shaoqing Tian and Lin lin Ye believe that the RCEP agreement has improved the world division of labor by redefining the international supply chain and promoting the progress of international e-commerce, and enhancing the industrial development [2]. Yang Xu, Xi Yang & Ning xuan Mai believes that RCEP has positively affected the export of the port through three major paths, direct mode, downstream mode and upstream mode, as well as industrial service imports [3]. Haiwei Jiang & Miao jie Yu believes that RCEP has promoted the development of relevant legal policies and improved its legalization level [4].

On the path of progress realization, Chunliang Xiu and Tong Li analyzed the study situation of international students and believed that the Free Trade Port should accelerate industrial upgrading, provide high-level job opportunities, and make full use of international human resources [5]. Yuanqin Liu, Xiongying Chen, Yuan Tian studied the challenges and opportunities of RCEP for the progress of the Beijing, and believed that local advantages should be used to integrate into international division of labor to promote economic development [6]. Chunliang Xiu and Tong Li believed that the past mistake of "greed for swift and short-term effects" ought to be repalced under RCEP. Basing a sustainable process steadily promote the development of the free trade port [7].

About Hainan and internationally opening up, Matthew Harrison, Wendy Hong and Shirley Lam, through analyzing the World Free Trade Port, believes that Hainan should expand opening up and improve its freedom [8]; in terms of education, Wang Sa1, Niyom Suwandej, Mooktra Thongves believes that university construction and international education cooperation should be strengthened through the construction of Hainan education model [9].

## **2.2. Research gaps in existing studies and innovations of this paper**

Despite the establishment of a fundamental analytical framework within the theoretical construction level by the accomplishments within this research domain, limitations persist in the analytical dimensions. The extant literature has placed excessive emphasis on macro-level mechanisms, such as the strategic positioning and developmental trajectory of free trade ports. This has resulted in two structural deficiencies in research. Firstly, there is an absence of systematic study on the diversified construct pathways of emerging free trade ports. Notably, research on the policy transmission mechanism of institutional innovation pilots is particularly lacking. Secondly, research on institutional opening-up and innovation under the distinctive attribute of "domestic but outside customs" of China's free trade ports remains in its nascent stage. It has not yet undertaken a comprehensive deconstruction of the joint effect of the "liberalization at the first place and control at the second place" regulatory model. This research ignores the theoretical system of China's characteristic free trade ports, thus having a negligible effect on the exploration of the development.

## **3. Research and design.**

### **3.1. Case Analysis**

This study systematically deconstructs the historical evolution trajectory and contemporary practical forms of the Hainan. This paper utilizes fundamental data sets, including Gross Domestic Product (GDP), to analyze the opportunities and challenges confronting the Hainan. The study employs a multidisciplinary approach, incorporating economic, political and sociological

perspectives. It draws upon recent policy developments, such as the promulgation of the "Overall Plan for the Construction of the Hainan " in 2020 and the implementation of the customs clearance operation in 2025. The study also employs a comparative analysis of the special regulatory system of "opening the first place and managing at the second place". An exploration of the way for the progress of free trade ports under the RCEP framework is warranted, alongside the provision of a "Chinese solution" for its construction and progress in developing countries.

### **3.2. Development status of Hainan**

#### **3.2.1 The advantages of Hainan**

The policy dividends are remarkable. The Overall Plan for the Construction of the Hainan is a guiding document for the Free Trade Port, putting forward core policy frameworks such as "zero tariffs and low tax rates ",and "unlimited and free investment". Documents such as the "Administrative Measures for International Service Trade in Hainan" and the "Opinions on Financial Support for Hainan's Reform and Opening-up" have provided policy support for duty-free goods, foreign trade, and offshore finance [10].

Adhere to opening up to the international countries. The Hainan adopts a system design of opening up at the "first line", controlling at the "second line", operating under customs clearance and allowing free passage within the island. It continuously promotes systematic and high-level opening up with a focus on trade and investment, and is expected to operate under customs clearance by the end of 2025.

Superior geographical location. Hainan's geographical coordinates are at the forefront of China facing ASEAN, backed by a super-large domestic market and hinterland economy. It is also at the core of the RCEP international market and an important shipping hub connecting Southeast Asian countries, enjoying a unique geographical location [11].

Infrastructure upgrading. Hainan's infrastructure has been continuously upgraded and improved. It has three airports including Haikou Meilan and Sanya Fenghuang. A three-line railway pattern around the island has been formed, and a "Feng" character-shaped expressway network has been constructed. Meanwhile, 5G communication base stations covering the entire province have been built to ensure stable communication within the island [12].

#### **3.2.2 The current development status of the Hainan**

In 2024, Hainan's regional GDP was 793.569 billion(rmb), with the proportions of the industries being 20.5%, 18.9%, and 60.6% respectively. The proportion of the tertiary industry was 4 percentage points higher than the national average. The total volume of goods imports and exports was 277.651 billion, more than 20.0% than last year. Exports were 106.224 billion, growing by 43.5%; imports were 171.427 billion increasing by 8.9%. The trade deficit in goods was 65.203 billion. The total volume of service imports and exports was 56.744 billion. Among them, service exports were 26.586 billion, growing by 26.5%; service imports were 30.158 billion yuan, increasing by 21.6%. The trade deficit in services was 3.572 billion.

### **3.3. The difficulties and challenges in the Development of the Hainan**

#### **3.3.1 The industrial development foundation in Hainan**

The industrial foundation of Hainan is weak, while the proportion of the three industries is not coordinated. Firstly, the primary industry accounts for too large a proportion of the economy. Secondly, the secondary industry in this region is less developed than in Yokohama and other countries. Third, the gap between the tertiary industry and Hong Kong and Singapore is still widening, which is difficult to provide solid support for the rapid economic takeoff. At the same time, it has not formed industrial cooperation with surrounding areas to achieve mutual development. The development of Hainan's service industry is relatively prominent, forming a spatial layout pattern of polarized development in the south and north with Sanya and Haikou as the core. The lack of coordination between agricultural and industrial development in Hainan can be observed in several key areas. First, the share of traditional industries remains disproportionately high. Second, the value

chain of agricultural products is inadequately developed, resulting in relatively low added value. Third, industrial development commenced at a later stage and currently exhibits a low level of sophistication. Fourth, the majority of enterprises are confined to primary processing and low-end manufacturing stages. Finally, there is a conspicuous lack of high-end products that possess core competitiveness.

### **3.3.2. Hainan's infrastructure and transportation facilitation**

As a typical island economy, Hainan has a high degree of dependence on the economy of the mainland. At present, the logistics cost of entering and leaving Hainan Island is about 15%-20% higher than that of the mainland. It takes about 3 to 5 hours for car wheels to cross the sea, and more than 2 hours for train and ferry, but the time of 20 kilometers of Qiongzhou Strait is equivalent to hundreds of kilometers of normal car travel [13]. With the swift construction of the development of Hainan, the flow of people and logistics in the island will show "explosive" growth, and the traffic bottleneck of Qiongzhou Strait will become increasingly prominent. Hainan needs to develop an interconnected international standard transport network integrating river ports, seaports, roads, railways and airlines to improve traffic efficiency and accessibility [14].

### **3.3.3. Gaps in the construction of Hainan**

The development of areas cannot be achieved without the support of talents, and Hainan has a prominent problem of few original residents, few colleges and universities, which results in few talents returning and a huge talent gap. In terms of population, Hainan covers 35,400 square kilometers with a population of 10.48 million, while China's Taiwan region with a similar area has a population of 23.56 million. The population density of Hainan is lower than that of most provinces in China. There are currently 21 normal colleges and universities in Hainan that focus on talent training, 13 of which are junior colleges, and only five of which are public undergraduate institutions. On the other hand, highly skilled and technologically advanced individuals tend to congregate around globally renowned free trade ports. Both Singapore and Hong Kong, China, are home to some of the best schools and universities in the world, producing a significant number of talented individuals each year. At the same time, just a handful of graduate and college students visit the island for academic purposes, which leads to a shortage of talent. From the standpoint of development history, on the one hand, local people's income and consumption are distorted by Hainan's low economic income and the sharp rise in property prices, making it challenging to bring in top talent. However, among the graduates of numerous Hainan-based local universities, the undergraduates, master's, and medical professionals who remain in Hainan after graduation are underemployed in the area and have no plans to remain, which results in a lack of highly skilled human resources professionals [15].

### **3.3.4. The financial development of Hainan lags behind.**

The participation of large financial institutions in the construction of Hainan is still insufficient, especially the lack of "tailored" financial organizations and financial services for the free trade port, which makes its financial industry lack international competitiveness on the whole [14]. Through summarizing experience, it is not difficult to find that almost all world-class free trade ports have financial centers with global influence, such as Hong Kong, Singapore and Dubai [16]. At present, the foundation of Hainan's financial industry is weak, and there are shortcomings such as single financial organization, lack of financial product innovation, lack of financial talents, and so on.

## **4. Development path planning**

### **4.1. Build global industrial highlands**

Tourism and service industries are the foundation of the island establishment, and good ecological environment and convenient tourism facilities are the biggest advantages of Hainan. In the context of tourism aggregation and advancement in Hainan, there has been continuous innovation in tourism policies through enhanced management systems and operational practices.

This effort has contributed to the establishment of an international tourism city and an international tourism area, thereby facilitating the rapid advancement and growth of the tourism economy. [17]. Concurrently, guided by the positioning of "three zones with one center," Hainan relies on the "4+3" modern industrial system to form a differentiated competition pattern. Driven by the dual impetus of the "Key Park + Industrial Fund," Sanya Yazhou Bay Science and Technology City has attracted over 1,200 enterprises related to marine industries. Meanwhile, Wenchang International Space City has successfully completed the construction of commercial rocket launch stations.

#### **4.2. Increase investment in education**

Hainan will implement the action plan of "One Million Talents Entering Hainan", and build a "1+2+5" higher education layout (one world-class university with disciplines, two high-level applied universities, and five characteristic colleges). More than 50 billion yuan of special funds have been invested in education in the last five years. A lot of Chinese-foreign cooperative schools, including Bielefelder University of Applied Sciences in Germany and Shanghai Jiao Tong University School of Medicine, have been introduced. A large number of well-known domestic universities have set up research campuses in Yazzhou Bay, Sanya.

#### **4.3. Implement and deepen policies**

The preferential 15% income tax for enterprises covers more than 10,000 market entities, and the duty-free sales in three years (2021-2024) exceed 140 billion yuan. The system of "The initial line is to be opened, with the subsequent line being subject to control." promotes the total foreign trade volume of Hainan to maintain rapid growth, and the conversion rate of policy dividend continues to improve (Hainan Provincial Government, 2024). At the same time, the "policy sandbox" regulatory model was pioneered to form replicable risk prevention and control standards in cross-border data flow, QFLP fund access and other fields [18]. The multi-functional Free Trade Account (EF Account) was successfully launched and operated. The business developed rapidly. By the end of 2024, a total of 158 EF Account master accounts had been opened throughout the province, with cumulative receipts and payments exceeding 66 billion yuan. In 2024, the receipts and payments of the Free Trade Account (FT Account) reached 1.33 trillion, an increase of 89.07% over last year.

#### **4.4. Improve the island's infrastructure**

The "Five Networks" infrastructure enhancement strategy has been advocated, and the tourism highway encircling the island has been linked with numerous Binhai city and county economic belts. The third phase of Meilan Airport has been constructed with a 4F runway, with the aim of ensuring an annual throughput of 55 million passengers. Meanwhile, the annual throughput of Yangpu International Container Terminal has exceeded 7 million TEUs. The construction of 23,000 5G base stations in the "smart Hainan" initiative is set to be initiated. This initiative aims to reduce the delay of dedicated Internet data channels to less than 30 milliseconds, whilst also establishing direct submarine optical cable connections with some famous cities. The integrated transportation network across the Qiongzhou Strait has reduced the sea crossing time to one hour, and the "one-hour commuting circle" in the ocean-going economic circle covers 70 percent of the island's total economy, forming a multi-modal transportation system of "port cluster, airport cluster, and high-speed rail network."

### **5. Conclusion**

In conclusion, this paper proposes a developmental path for high-quality free trade ports, as modelled by the Hainan, under the RCEP pattern. This path is arrived at through a thorough review of the development of the Hainan, an analysis of its shortcomings and challenges, and a comprehensive review of its development path. Firstly, it is essential to enhance institutional innovation and formulate policies that align with the prevailing circumstances. Secondly, there is a

need to prioritize industries that possess distinctive advantages, promote industrial upgrading and foster international collaboration. Thirdly, it is crucial to promote financial openness and innovation, thereby enhancing the level of internationalization. Finally, greater emphasis should be placed on education and the role of talent. This paper combines the RCEP pattern with the development path of Hainan with Chinese particularity. It takes the emerging Hainan as an example. This port is beneficial to the construction of the special system with Chinese particularity. It provides a "Chinese plan" for the development of free trade ports to the global countries. However, the present study focuses exclusively on Hainan. Concurrently, the developmental stage of the Hainan remains underdeveloped, and the perspective is not yet sufficiently comprehensive. Concurrently, the mounting influence of anti-globalization has engendered a concomitant uncertainty with regard to the progress of emerging free trade ports. In future research, then paper recommended that the number of cases be increased and that development models be built in order to draw more complete conclusions.

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