

Overall Plan for the Construction of Hainan Free Trade Port

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As China's largest special economic zone, Hainan is uniquely positioned to further all-round reform and experiment with the highest level of opening-up policy. Providing support for Hainan to explore and make steady headway in the construction of a free trade port with distinctive Chinese features and to establish a free trade port policy and system in multiple steps and phases is a major measure that General Secretary Xi Jinping personally planned, deployed, and promoted to expand reform and opening up. With a focus on the overall situation of international and domestic development, it is also a strategic decision made by the Party Central Committee and the State Council through in-depth research, overall consideration, and scientific planning. In today's world that is going through a new round of great developments, major changes, and

extensive adjustments, protectionism and unilateralism are on the rise, and economic globalization faces stronger headwinds and undertows. Building a free trade port in Hainan is the prerequisite for boosting high-level opening up and setting up a new, open economic system; it is an urgent need of deepening market-oriented reforms, and creating an international, convenient business environment that calls for the rule of law; it is a strategic choice of implementing new development concepts, fueling high-quality development, and building a modern economic system; and it is a practical action of supporting economic globalization and building a community with shared future for mankind. The Plan is formulated in order to thoroughly implement the spirit of General Secretary Xi Jinping's important speech at a gathering celebrating the 30th anniversary of the establishment of the Hainan Provincial Special Economic Zone, put in place the requirements of the Guidelines of the CPC Central Committee and the State Council on Supporting Hainan in Furthering All-Round Reform and Opening up, and expedite the construction of Hainan FTP at a high level.

I. General Requirements

(1) Guiding ideology.

Following the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we must implement fully the guiding principles of the 19th CPC National Congress and the second, third and fourth plenary sessions of its 19th CPC Central Committee, uphold overall Party leadership, adhere to the general principle of pursuing progress while ensuring stability, continue to apply the new development philosophy and work for high-quality development, pursue coordinated progress in the five-sphere integrated plan, and pursue balanced progress in the four-pronged comprehensive strategy. In alignment with high-level international economic and trade rules and with a focus on trade and investment liberalization and facilitation, we should free our minds and break new paths to establish a policy framework that matches with a high-level FTP, and to build areas under special customs supervision with international competitiveness and clout, striving to build the Hainan Free Trade Port into a distinctive flagship and important gateway for leading China's opening up in the new era.

(2) Basic principles

——Drawing on international experience. We should adhere to the

concept of planning at a high starting point and constructing with high standards, actively adapt to new trends of restructuring international economic and trade rules, and harness advanced modes of business operations, management approaches, and institutional arrangements of international FTPs. Open policies and systems with international competitiveness should be developed. We should speed up the establishment of a new open economic system, enhance the catalytic role in leading regional development, and build a forward position for China's deep integration into the global economic system.

——Embodying distinctive Chinese features. By upholding the CPC's centralized and unified leadership, staying on the path of socialism with Chinese characteristics, committing to a people-centered approach, and practicing core socialist values, we must ensure the correct direction of the construction of Hainan Free Trade Port. While encouraging initiative from all sectors with concentrated efforts for big and key projects, all for the purpose of achieving the fundamental goals for national development, we must pool together global high-quality production factors, and strive to achieve new breakthroughs in accelerating institutional innovation,

cultivating growth drivers, and building a new landscape of all-round opening up, thus providing a solid support for national strategic goals. We must strengthen exchanges and cooperation with Southeast Asian countries, and step up joint development with the Guangdong-Hong Kong-Macao Greater Bay Area.

——Compliance with Hainan’s development positioning. Focusing firmly on the strategic positioning given by the state to Hainan as a pilot zone for furthering all-round reform and opening up, a national pilot zone for ecological conservation, an international tourism and consumption destination and a service zone for implementing China’s major strategies, we must advance the timeline for the cultivation of new advantages of cooperation and competition with distinctive Hainan features, by taking full advantage of Hainan’s rich natural resources, unique geographic location as well as the strong backing of ultra-large-scale domestic market and economic hinterlands, and capturing the important opportunities of a new round of global scientific and technological revolution and industrial transformation, with a focus on the development of tourism, modern services and high-tech industries.

——Highlighting reform and innovation. We must strengthen the

consciousness of reform and innovation by empowering Hainan with greater autonomy in reform, and supporting Hainan to accelerate reform and innovation across the board. We must actively explore the establishment of more flexible and efficient laws and regulations, regulatory patterns and management systems that are adaptable to the construction of a free trade port, and work hard to eliminate institutional obstacles that hinder the flow of production factors. We must promote the openness of commodities and factor mobility, speed up the openness of rules and other systems, and drive all-round reform through high-level opening up. We should reinforce the integration of reform systems, stay focused on coordinated progress, enable innovation initiatives on all fronts to mutually coordinate and complement each other, and increase overall benefits of reform and innovation.

——Adherence to bottom-line thinking. Guided by the step-by-step and consistent strategy, we must work holistically to control the rhythm and progress of opening up, and launch each measure as conditions permit in a way that is not in a rush for quick results or eager for instant success and quick profits. We must make further progress in streamlining administration, delegating powers and

improving regulation, fully implement the system featuring convenient access and law-based process supervision, and establish regulatory standards and norms geared to international practices. It is necessary for us to strengthen the identification of major risks and the prevention of systemic risks, and develop and improve supporting measures for risk prevention and control. We should also improve the mechanism of major epidemic prevention and control and the public health emergency management system. We must normalize assessment work, and rectify deviations and correct errors in a timely manner. By doing that, the construction of Hainan Free Trade Port can be ensured towards a right direction of sound development.

(3) Development goals

By 2025, a policy framework for the free trade port with emphasis on trade and investment liberalization and facilitation will have been put in place. The business environment will advance to domestic first-class level as we can see substantially growing market players, significantly improved industry competitiveness, and effective risk prevention and control, gradually improved laws and regulations adapted to the construction of the free trade port, and obviously

improved quality and benefits of economic development.

By 2035, the system and operational mode of the free trade port will be more mature, while trade and investment rules featuring freedom, fairness, rule of law, and high-level process supervision will be basically built, and liberalization and facilitation of trade, investment, cross-border capital flows, entry/exit of people, transportation, as well as data transfers in a secure and orderly manner, will be seen. The business environment will be more optimized; the legal framework will be more perfect; the risk prevention and control system will be more stringent; and the structure of modern social governance will basically take shape. All this will make the free trade port grow into a pacesetter for open economy in China.

By the middle of this century, a high-level free trade port with strong international influence in all aspects will be built.

(4) Scope of implementation. China plans to turn the whole Hainan Island into a free trade port.

II. Framework Design

With a focus on trade and investment liberalization and facilitation, we must establish a policy framework for Hainan Free Trade Port,

backed by free, orderly, secure and convenient cross-border flows of various production factors and the modern industrial system, and guaranteed by specifically arranged tax system, efficient social governance system and an improved legal system. This should be achieved on the condition that the division of labor and mechanisms and measures are clarified, and the bottom line of having no systemic risks is resolutely held.

(1) Trade liberalization and facilitation. On the premise of achieving effective regulation, areas under special customs supervision that feature independent customs operation throughout Hainan Island should be built. For trade in goods, a system of liberalization and facilitation featuring “zero tariffs” should be implemented. With regard to trade in services, policy measures for liberalization and facilitation characterized by “letting firms in and letting them do business” should be implemented.

1. Free flow through the “first line”. We will establish a “first line” between Hainan Free Trade Port and other countries and regions beyond the customs territories of the People’s Republic of China. For importation (exportation) activities at the first line, we should step up monitoring of security access (exit), and strengthen controls

of public health safety, bio-safety at border crossings, food safety, and product quality safety. On the premise that the fulfillment of the obligations stipulated in the international treaties, which China has concluded or acceded to, is ensured, we will develop lists of goods and articles prohibited and restricted for import and export for the Hainan Free Trade Port. The goods and articles outside the list shall be freely imported and exported, and supervised by the customs in accordance with the law. We will issue a catalogue of import taxation for Hainan Free Trade Port, with goods beyond the catalogue that will be exempted from import duties when entering the free trade port. Transshipment cargos transported on combined bills of lading shall not be taxed or inspected. Cargos leaving the Hainan Free Trade Port shall be subject to export management. We will implement convenient and efficient customs supervision, and build a “single window” of high-standard international trade.

2. Control at the “second line”. We will establish a "second line" between Hainan Free Trade Port and other regions within the customs territories of the People's Republic of China (hereinafter referred to as “the rest of China”). Goods entering the rest of China from the Hainan Free Trade Port will, in principle, go through

relevant procedures in accordance with the import regulations, and their customs duties and import tax shall be levied in accordance with the regulations. For output products produced by encouraged industrial enterprises without or with imported intermediary products, whose added value exceeds 30% (inclusive) after be processed at the Hainan Free Trade Port, they are exempt from import tariffs when entering the rest of China from the “second line”, and their import value-added tax and consumption tax shall be levied in accordance with regulations. For the postal items entering the rest of China from the Hainan Free Trade Port, they will be supervised and levied in accordance with the regulations. We will simplify import management for the means of transport from the Hainan Free Trade Port to the rest of China. The entry of goods, articles and means of transport into the Hainan Free Trade Port from the rest of China shall be managed in accordance with domestic circulation regulations. There is no need to go through customs formalities for goods transshipped to the rest of China at the Hainan Free Trade Port. They shall be loaded and unloaded at the workplaces (sites) under customs supervision in the free trade port, stored separately from other goods under customs supervision, and

identified with obvious marks. The operating entities of business sites shall transmit information such as the entry and exit of goods to the customs in accordance with the needs of customs supervision.

3. Liberalization in the island. The Customs implements low-intervention, high-efficiency and precise supervision on enterprises and institutions in the Hainan Free Trade Port, and enables the enterprises in the Free Trade Port to achieve the liberalization of production and operation. For transshipment cargos that are shipped from overseas, reloaded, sorted and assembled at the Hainan Free Trade Port and then shipped to other countries or regions, the customs procedures will be simplified. There is no storage period for the cargos in Hainan Free Trade Port, and the storage location can be chosen freely. For cargos that are subject to the “zero-tariff” policy, they are exempt from routine customs supervision.

4. Boosting liberalization and facilitation of trade in services. We will implement a negative list system of cross-border trade in services to remove various barriers existing under the mode of trade in services such as cross-border delivery, overseas consumption, and movement of natural persons, and grant national treatment to

overseas service providers. A system of payment and transfer of funds supporting cross-border trade in services will be implemented. In terms of notification, qualifications, technical standards, transparency, regulatory consistency and others, we will further regulate domestic regulations that affect the liberalization and facilitation of trade in services.

(2) Investment liberalization and facilitation. We will significantly ease market access to the Hainan Free Trade Port, strengthen property rights protection, ensure fair competition, create an open, transparent and predictable investment environment, and further energize market entities.

5. Granting enterprises to get access to the market with a prior commitment. We will strictly implement the policy of “entry unless on the list”. Under the “controllable” premise, in principle, we will cancel permit and approval for areas with mandatory standards, and provide a better record system. Only if market entities commit to comply with relevant requirements and submit relevant materials for the record, can they carry out investment and business operations. The agency accepting the record shall assume the responsibility for review as soon as it receives the record. We will implement

pre-establishment national treatment plus negative list management system for foreign investment, greatly reducing prohibitions and restrictions.

6. Establish innovative and improved investment liberalization systems. An investment facilitation system focusing on process supervision will be implemented. We will establish policy systems for the purposes of, among others, establishment facilitation based on electronic licenses, operation facilitation with a focus on “responding to whatever is requested” and “no disturbance”, cancellation facilitation focusing on announcement commitments and optimization procedures, and bankruptcy facilitation based on due diligence.

7. Providing a better fair competition system. We will strengthen the foundational status of competition policies, and see that the market entities of all types of ownership enjoy equal treatment in terms of factor acquisition, standard establishment, access permit, business operation, and preferential policies, etc. Domestic and foreign enterprises are treated as equals in government procurement. We will step up anti-monopoly law enforcement, break administrative monopolies, prevent market monopolies, and maintain fair market

order.

8. Improving the property rights protection system. We will, according to law, protect the rights of acquisition, use, disposal and inheritance of private and corporate properties, as well as the right of the owner of the acquired property to receive compensation when the private and corporate properties are acquired. The company law and other laws and regulations will be implemented to strengthen the protection of medium and small investors. We will increase the intensity of punishment on intellectual property rights infringement, and establish and improve mechanisms for credit classification supervision and credit punishment for market entities in the field of intellectual property. Our efforts will be made to strengthen the application of blockchain technology in intellectual property transactions and depository receipts, and explore new models suitable for the development of the free trade port.

(3) Liberalization and facilitation of cross-border capital flows. We will continue to ensure that the financial sector serves the real economy, focusing on trade and investment liberalization and facilitation, opening capital projects in stages, and working for the free and convenient flow of funds between the Hainan Free Trade

Port and overseas in an orderly manner.

9. Building a multi-functional free trade account system. Based on the existing domestic and foreign currency accounts and free trade accounts, we will build a foundation platform for the opening up of the financial sector in Hainan to the outside world. Through the segregation of financial account, an “electronic fence” of funds will be established to provide the basic conditions for the free and convenient flow of cross-border funds between the Hainan Free Trade Port and overseas.

10. Facilitating the flow of cross-border trade and investment funds. We will accelerate the settlement facilitation of cross-border trade in goods, trade in services and new international trade, and enable the bank to shift its authenticity verification from before prior review to posterior review. As for cross-border direct investment and trading activities transaction, we will simplify management based on with the pattern of pre-establishment national treatment plus negative list, improve the convenience of registration and exchange, and explore new forms of cross-border investment management that adapt to market needs. In cross-border financing, we will explore the establishment of a new management system of foreign debts,

consolidate management frameworks for foreign debt related to trade at the pilots, enhance the registration management of foreign debts issued by enterprises, fully implement the macro-prudential management of fully-covered cross-border financing, and expand the scope of cross-border asset transfer in a steady way, and improve the level of facilitation of foreign debt fund exchange. In cross-border securities investment and financing, focusing on serving the investment and financing needs of the real economy, we will give aid to the development of industries with distinctive features and comparative advantages, prioritize the support of overseas listing, debt issuance and other aspects, and simplify exchange business.

11. Opening the financial sector wider to the outside world. The Hainan Free Trade Port will be the first to implement the policy for the financial industry to open up wider to the outside world. We will support the construction of trading venues for international energy, shipping, property rights, equity and others, and advance the development of settlement centers.

12. Quickening financial reform and innovation. We will bolster innovation and standardized development of rental housing financial

business, and offer support to the development of real estate investment trusts (REITs). We will take a steady approach to expand multiple forms of industrial financing channels, broaden the scope of capital used by foreign-funded enterprises, and innovate technology financial policies, offerings and instruments.

(4) Liberalization and facilitation of entry/exit of people. According to the development needs of the Hainan Free Trade Port, we will implement more open talent and residence policies for high-end industrial talents to create pacesetters for gathering talents. As a prerequisite for a more convenient entry-exit management policy, potential foreign-related security risks shall be effectively prevented and controlled.

13. Facilitating entry and exit of foreign high-level talents in terms of investment and entrepreneurship, lectures and exchanges, and economic and trade activities. We should improve the mechanism for international talent evaluation, evaluate human resource categories using salary level as the main indicator, and set up a market-oriented talent mechanism. We will conduct a negative list management system on the issuance of work permits for foreign employees to the Hainan Free Trade Port, easing the residence

policy for foreign professional and technical personnel. Foreign personnel are permitted to serve as legal representatives in legal bodies, public institutions and state-owned enterprises within the Hainan Free Trade Port. We will implement a flexible temporary entry and exit policy for business personnel.

14. Establishing and improving the talent service management system. We will empower the sharing and joint review and joint inspection of work permits, visa and residence information. We should foster the establishment of talent service centers, provide employment, education and life services, and protect their legitimate rights and interests.

15. Implementing a more convenient entry and exit management policy. We will gradually implement a visa-free entry policy suitable for a wider range, and extend visa-free stay. The entry and exit border inspection management should be optimized to provide convenience for business personnel, cruises and yachts.

(5) Liberalizing and facilitating transportation. By applying an open policy for transportation liberalization and facilitation, we will step up the building of a new international land and sea transport hub to connect Western China with the world as well as an

international aviation hub, and rev up the construction of a modern comprehensive transport system.

16. Establishing a more free and open shipping system. We will establish the “Yangpu Port of China” as the port of registry. We will render support to the Hainan Free Trade Port to carry out ship registration, and should study and establish the shipping management system and seaman management system. We will further ease airspace control and airway rights restrictions, optimize shipping routes, and encourage increased available seat kilometers and increased flight routes.

17. Improve transportation facilitation and service guarantee level. We should make headway in joint boarding inspection of ships, and build an efficient, convenient and high-quality special supervision policy for flag states. We will provide more high-quality and efficient financial services for ship and aircraft financing, lift restrictions on overseas financing of ships and aircrafts, and explore the use of insurance to replace deposit. We should strengthen the construction of facilities and equipment related to transportation between the rest of China and the Hainan Free Trade Port as well as customs clearance facilitation, provide a reasonable number of staffs,

and enhance the level of transportation liberalization and facilitation.

(6) Secure and orderly data transfers. Under the premise that ensuring the secure and controllable data transfers, we should expand data openness, offer innovation in security system design, enable full data aggregation, and foster and develop the digital economy.

18. Expanding openness of communication resources and services in an orderly manner. We will open value-added telecommunications services, and lift restrictions on foreign equity ratios. Enterprises whose entities registration and service facilities are located at the Hainan Free Trade Port are allowed to develop online data processing, transaction processing and other services across the free trade port and internationally, and gradually conduct business across the country under the secure and controllable conditions. Basic telecommunications services will be opened up in a secure and orderly fashion. We will conduct the International Internet Data Interaction Pilot Project, build international submarine optical cables and landing points, and set up international communication gateways.

(7) Modern industrial system. Our renewed focus should be placed

on tourism, modern services, and high-tech industries. We should continuously cement the foundation of the real economy, and enhance industrial competitiveness.

19. Tourism. With a focus on ecological priority and green development and on the construction of international tourism and consumption destination, we should advance the in-depth integration of tourism and cultural sports, health care, elderly care and wellness, raise the development level of Boao Lecheng pilot zone of international medical tourism, support the construction of cultural tourism industrial park, develop distinctive tourism industry clusters, foster new types and models of tourism, and create a demonstration province of all-for-one tourism. We should evolve Sanya into the home port of international cruises, support the construction of a pilot zone of cruise tourism, and attract international cruise registrations. While establishing a pilot zone for reform and development of the yacht industry, we should provide support for the creation of national tourist resorts and 5A-level scenic spots.

20. Modern services. We should bring together elements of global innovation, further opening up internally and externally, and attract multinational companies to set up regional headquarters. We should

transform the port management system and mechanism, and fuel the integration of port resources. We should expand the shipping service industry chain, boost the development of bonded warehousing, international logistics and distribution, intermediary trade, commodity trade, import commodity exhibition, distribution processing, FCL and LCL, and other businesses, and increase our management capabilities of global supply chain services. All this is designed to build an international shipping hub, while promoting the integrated development of ports, industries, and cities. We will build Hainan into an International Design Island, a pacesetter island for international-oriented education around science, technology, agriculture and medicine, and a regional international convention and exhibition center, and open professional services wider to the outside world. We should improve marine service infrastructure, take positive measures to develop marine logistics, marine tourism, marine information services, marine engineering consulting, maritime finance, and maritime business, among others, and build an internationally competitive marine service system. One of our aims is to build a national Sino-foreign culture and trade exchange base.

21. High-tech industries. We should improve the industrial energy

level centering on platform as the carrier, and develop the information industry with a focus on the Internet of Things, artificial intelligence, blockchain, and digital trade. With China?Wenchang?Spacecraft Launch Site and Sanya Deep Sea Technology City, we will deploy major scientific and technological infrastructure and platforms to cultivate deep sea and deep space industries. Centering on eco-environment protection, biomedicine, new energy vehicles, and smart cars, we should grow advanced manufacturing industries. By taking the advantage of the national seed breeding base in Hainan, we will build a global tropical agricultural center and a global transfer base for the introduction of animal and plant resources. Smart Hainan is under construction.

(8) Tax system. We should gradually establish a tax system compatible with a high-level free trade port in accordance with the principles of zero tariffs, low tax rates, a simplified tax system, strong rule of law, and a phased implementation.

22. Zero tariffs. Before the independent customs operation throughout Hainan Island, some imported commodities are exempted from import duties, import value-added tax and consumption tax. After the independent customs operation

throughout Hainan Island and the streamlining of the tax system, import tariffs are exempted for commodities not listed in the catalogue of imported taxable commodities that are allowed to be imported into the Hainan Free Trade Port.

23. Low tax rates. Preferential corporate income tax rates are applied to enterprises who are engaged in substantial business operations in the Hainan Free Trade Port. Preferential tax rates for personal income tax are applied to eligible individuals.

24. Simplified tax system. Combined with the direction of China's tax reform, we will explore and promote the simplification of the tax system. We should reform the tax type system, reduce the proportion of indirect taxes, and realize a simple and scientific structure of tax category, fully optimized elements of tax system, significantly reduced tax burden level, clear income attribution, and generally balanced fiscal revenue and expenditure.

25. Strong rule of law. The tax administration department should assess and warn tax payment behaviors based on the principles of the location of the substantial economic activities and the place of value creation, develop simple and easy-to-implement criteria for the place of substantial business and the location of residence,

strengthen the identification of tax evasion risks, and prevent tax base erosion and profit transfer so as to avoid becoming a “tax haven”. We should take active part in international tax collection and management cooperation and intensify the sharing of tax-related information. We should reinforce credit classification services and management in the tax field, and take corresponding measures against enterprises and individuals with illegal and dishonest acts according to laws and regulations.

26. Phased implementation. Based on different phases of the construction of Hainan Free Trade Port, zero tariffs, low tax rates and a simplified tax system will be arranged and implemented in steps to develop an internationally competitive tax system.

(9) Social governance. We should accelerate the reform of government agencies and the transformation of government functions, encourage the integration and application of technologies such as blockchain to the modernization of governance systems and governance capabilities, and build a complete, scientific and standard, and effective governance system for the free trade port.

27. Deepening the reform of government institutions. We should further Hainan’s super-department reform, integrating similar

functions and responsibilities that are decentralized among departments, and consolidate departments with similar functions. We should control the proportion of comprehensive administrative civil servants, channel administrative staffing resources to the supervision department, and conduct a market-oriented professional appointment system.

28. Bolstering the transformation of government functions. We should strengthen regulatory legislation and enforcement, enhance the application of the social credit system, conduct oversight through the random selection of both inspectors and inspection targets and the prompt release of results, and insist on inclusive and prudential supervision on emerging formats. We should allow full play to the role of “Internet Plus”, big data, blockchain and other modern information technologies, standardize government services through the construction of government affairs services and other platforms, enable government process reengineering and access via one network, strengthen the orderly sharing of data, and enhance the levels of government services and governance. The promises made by the government must be fulfilled carefully. The losses caused as a result of failure to fulfill the promises or failure to put them in place

shall be compensated in due courses.

29. Creating a social governance pattern of joint contribution, co-governance and shared benefits. We must deepen the reform of the household registration system, further ease the residence migration policy, and apply a residence permit system that uses the citizenship number as the unique identifier and is unified across the island. We must grant greater autonomy to various industry organizations, and play their important role in the maintenance of market order, the development and implementation of standards, and the mediation of industry disputes. We must grant the community greater authority for grassroots governance and accelerate innovation in community services and governance.

30. Establishing an innovative ecological conservation framework. We must promote the building of Hainan into a national pilot zone for ecological conservation, establish a system for efficient use of resources across the board, and improve the natural resource property rights system and paid use system. We must make steady headway in the construction of national land spatial planning system, and conduct differentiated regulations of natural ecological space use. We should improve natural resource assets franchise rights in

nature reserves and other systems, and explore the mechanism for realizing the value of ecological products. We will establish national parks such as tropical rain forests, and build a system of natural reserves mainly represented by national parks. We must explore the establishment of a government-led and sustainable ecological protection compensation mechanism featuring enterprise and social participation, and market-oriented operations. We should quicken the establishment of a unified investigation, evaluation, monitoring, and registration system for natural resources, and improve an ecological environment monitoring and evaluation system.

(10) Rule-of-law system. We must establish a rule-of-law system for the free trade port mainly comprising local regulations and commercial dispute resolution mechanisms based on the Hainan Free Trade Port Law, and create a world-class rule-of-law environment for Hainan Free Trade Port.

31. Enacting the Hainan Free Trade Port Law. Various institutional arrangements of Hainan Free Trade Port shall be clarified in legal form to provide principled and fundamental rule-of-law guarantees for the construction of Hainan Free Trade Port.

32. Developing laws and regulations for the SEZ. Under the premise

that the constitutional provisions and the basic principles of laws and administrative regulations are observed, we will support Hainan in fully exercising the legislative power of the SEZ, and based on the actual conditions of the construction of free trade port, formulate laws and regulations for the SEZ.

33. Establishing a diversified commercial dispute resolution mechanism. We must improve the centralized trial mechanism for international commercial dispute cases, and provide a variety of non-litigation dispute resolutions such as international commercial arbitration and international commercial mediation.

(11) Risk prevention and control system. We should develop and implement effective measures to prevent major risks in trade, investment, finance, data transfers, ecology, and public health in a targeted manner.

34. Trade risk prevention and control. We must build infrastructure and supervision facilities for open ports and “second-line ports” to high standards, invest more in information system construction and scientific and technological equipment, and implement intelligent and precise supervision. The “three lines of defense” across the island, namely, the information management system of “people flow,

logistics, capital flow”, social management and supervision system, and port monitoring system, can be leveraged to develop a social management information platform in Hainan. We should conduct 24/7 dynamic monitoring of locations where no customs has been established. We must strengthen the supervision of specific areas, set up comprehensive law enforcement points in areas where no port inspection agencies have been established, and monitor and handle vehicles, loaded and unloaded cargos, and articles in real time. Goods, articles, personnel, and means of transport that enter and exit between the Hainan Free Trade Port and the rest of China must enter and exit from the port. We must improve the configuration of port supervision equipment and facilities. The customs is responsible for the supervision and investigation of smuggling at ports and other customs supervision zones. The Hainan Provincial Government is responsible for the comprehensive anti-smuggling control work across the province, and evaluating the comprehensive anti-smuggling control work of the governments at lower levels. We must carry out coordinated inter-regional prevention and control efforts in anti-smuggling with Guangdong Province, Guangxi Zhuang Autonomous Region and other regions.

35. Investment risk prevention and control. We must improve the process supervision system compatible with the investment rules, and strictly put into effect the review responsibility of the agencies accepting the record and the record responsibility of the record-filing entities. We should clearly intensify the rules and standards of process supervision, specify regulatory responsibilities, provide effective supervision for the entire life cycle of investment and business operations, conduct inclusive and prudential supervision of new technologies, new industries, new formats, and new models, and stay focused on the regulation of high-risk industries and fields. We must establish and improve the legal liability system, and develop drastic disciplinary measures against the acts of record-filing entities that provide false filing information and illegal operations. We should work to review foreign investment security, and effectively prevent national security risks, while creating a stable, transparent and predictable investment environment.

36. Financial risk prevention and control. We must optimize the financial infrastructure and rule-of-law environment, strengthen the protection of rights and interests of financial consumers, and leverage the capital flow information monitoring and management

system to establish and improve the capital flow monitoring and risk prevention and control system. We should establish a macro-prudential management system for cross-border capital flows in Hainan FTP, and reinforce the identification of major risks and the prevention of systemic financial risks. We must promote the review of anti-money laundering, anti-terrorist financing and anti-tax evasion, study and set up a risk assessment mechanism for money laundering, and provide regular assessment of the risk of money laundering and terrorist financing. We should establish a financial supervision and coordination mechanism adaptable to the construction of Hainan Free Trade Port.

37. Prevention and control of network security and data security risks. We must fully implement the network security level protection system, stay focused on safeguarding key information infrastructure and data security, improve the network security system, and increase the capabilities and level of network security related to the construction of Hainan Free Trade Port. We must establish and improve the data outbound security management system, and improve control measures for data transfer risks.

38. Prevention and control of public health risks. We must accelerate

the construction of public health prevention, control and treatment systems, establish monitoring and early warning, emergency response platforms and decision-making command systems for infectious diseases and public health emergencies, and improve early prevention, risk analysis and timely handling capabilities. We should speed up the construction of the disease prevention and control system, build a provincial-level disease prevention and control center with high standards, establish Chinese Center for Tropical Diseases Research Hainan Branch, accelerate the construction of infrastructure for disease prevention and control institutions at all levels, and optimize the allocation of laboratory testing resources. We should press ahead with the development of public health workforce, and heighten the capabilities of surveillance and early warning, inspection and detection, on-site epidemiological investigation, emergency response and medical treatment. We must build tertiary laboratories for biosafety protection and infectious disease prevention and control institutes, intensify comprehensive detection and rapid screening capabilities, and optimize important health emergency supplies and capacity guarantee systems. We must improve and optimize the treatment system on major epidemic

diseases, build an infectious disease medical service network, establish provincial and municipal infectious disease medical centers based on general hospitals or specialized hospitals, and improve infrastructure and medical conditions of infectious disease medical centers and infectious disease hospitals. We must lay emphasis on developing the capacities of medical services for infectious diseases at the grass-roots level, and enhance the diagnosis and treatment capacities of infectious diseases in county-level general hospitals. We must build grid-oriented and intensive medical groups to promote the transferring of high-quality medical resources to grass-roots institutions and the integration of prevention and treatment. We must improve the standardization of community medical institutions, and intensify the diagnosis and treatment of common diseases and frequently-occurring diseases, public health services and health management capabilities. We must strengthen international health and quarantine cooperation and international epidemic situation information collection and analysis, provide increased support for health and quarantine facilities at the port, build a world-class travel health care center, strictly implement the health declaration system for people entering and leaving Hainan

FTP, strengthen health quarantine for means of transport, people, goods and articles from major countries or regions, step up coordinated inter-regional prevention and control efforts, and build a line of defense for quarantine at the port. We should strengthen the surveillance of the global pandemic of infectious diseases, advance early warning of the risk of outbreak of overseas infectious diseases, and strictly prevent the cross-border spread of major infectious diseases. We must establish a cooperation mechanism on joint prevent and control of overseas disease outbreaks and harmful organisms through collaboration among multiple departments including the customs. We must enhance the oversight capacities of early warning and rapid response to the quality and safety risks of import and export commodities, and improve the supervision of key sensitive import and export commodities.

39. Ecological risk prevention and control. We should apply a strict security access management system for entry and exit environments to prohibit the importation of foreign garbage. We must promote the construction of disposal facilities for medical waste and other hazardous wastes, and improve preparedness and response capabilities for ecological environment emergencies. We must

establish and improve the environmental protection credit evaluation system.

III. Step-by-step and Phased Arrangement

(1) Priorities before 2025. Centering on trade and investment liberalization and facilitation, and based on the basis of effective supervision, we must take systematic steps to advance the opening-up process, facilitate the convenient and efficient flow of various elements, achieve early harvest, and initiate independent customs operations throughout Hainan Island in due courses.

1. Strengthening the establishment of areas under special customs supervision. An import and export management system featuring “free flow through the first line and control at the second line” will be first adopted at Yangpu Bonded Port Area and other qualified areas under special customs supervision. More areas under special customs supervision will be set up based on the need for the construction of Hainan Free Trade Port.

2. Implementing zero-tariff policy on certain imported goods. Except for goods prohibited from tariff exemption or import by laws and regulations, the zero-tariff negative list management system will

apply to production equipment imported by enterprises for own use; the zero-tariff positive list management system will apply to following goods: ships, aircrafts, other means of transport and yachts imported to the island for transportation and tourism; raw and auxiliary materials imported for production within Hainan, or for processing trade (or in the process of trade in services) of which final products would be exported to overseas markets; imported goods consumed by the island residents. Goods and articles under the management of zero-tariff lists will be exempt from import duties, import value-added tax and consumption tax. The lists will be dynamically adjusted by relevant departments according to practical demand and supervision requirements of Hainan. The quota for offshore duty-free shopping will be raised to 100,000 yuan per person per year, and the categories for duty-free goods will be expanded.

3. Reducing restrictions on cross-border trade in services. We should take initiatives to standardize domestic rules and regulations that affect the facilitation of trade in services in key areas. We must formulate and release the negative list of cross-border trade in services in Hainan Free Trade Port, and grant national treatment to

overseas service providers. We should establish the Hainan International Intellectual Property Exchange, foster institutional innovation in the transfer, utilization and taxation of intellectual property, and carry out law-based exploration for the securitization of intellectual property.

4. Implementing the most-simplified-approval investment management system. We will roll out the special list for Hainan Free Trade Port to ease market access and the negative list for foreign investment access. We will define the geographic range for business operations of foreign-invested enterprises in specific service sectors that are opened up at early stage. We should establish and improve national security review, environmental standards for industrial access, social credit systems and other mechanisms, and in all respects promote the most-simplified-approval system. We must deepen the reform on streamlining business license approval. We should establish and improve a process supervision system based on credit supervision and compatible with the negative list management.

5. Promoting pilot reform on cross-border securities investment and financing policy. We should support enterprises registered in the

Hainan Free Trade Port to issue stocks abroad according to their domestic and overseas financing schemes. We must give priority to supporting enterprises in financing through issuing bonds overseas. The Development and Reform Department of Hainan province will be in charge of the registration management of foreign debts issued by enterprises. We will explore pilot programs on cross-border asset management businesses and further facilitate foreign exchange operations for cross-border securities investment and financing. We should develop trial businesses for enterprises in the Hainan Free Trade Port to register foreign exchange directly at banks when they go public abroad.

6. Accelerating the opening up of financial sector to both domestic and overseas markets. We must promote financial institutions in Hainan to develop and build up the capabilities of serving the opening-up process, and support the Hainan Free Trade Port to take initiatives to implement opening-up policies in the financial sector. We should support qualified overseas institutions dealing with securities, funds, and futures businesses to set up wholly or jointly owned financial institutions in the Hainan Free Trade Port. We should support financial institutions to develop new financial

offerings and improve quality and efficiency of services in Hainan based on development needs of key industries such as tourism, modern services, and high-tech industries, etc. We must promote the development of relevant over-the-counter derivative businesses to address needs for the construction of Hainan Free Trade Port. We should support Hainan in building property rights trading venues on the basis of optimizing and upgrading existing trading venues, and allow non-residents to participate in trading and fund settlement according to relevant regulations. We should support the established trading venues in the Hainan Free Trade Port to roll out rules and institutional systems aligned with international practices in terms of membership, trading, taxation, clearance, settlement, protection of investor rights, and anti-money laundering. We should support the establishment of property insurance, life insurance, reinsurance, mutual insurance and self-insurance institutions and companies in the Hainan Free Trade Port within legal framework.

7. Enhancing financial sector's capability of serving the real economy. We should support the issuance of corporate credit bonds, project revenue notes, and special bonds for housing lease. We must promote pilot projects on the securitization of high quality tourism

assets with stable cash flows. We should support financial institutions to develop premium financing, warehouse receipt loans, receivables pledge, intellectual property pledge and other businesses in the area of trade in services under the premise of regulatory compliance and effective risk control. We should support marine-related high-tech enterprises in carrying out pledge financing on equity and intellectual property rights, and promote the regulated and controllable development of shipping, logistics and supply chain-related financial products. We should take initiatives to apply research achievements in the fields of artificial intelligence, big data and cloud computing in the Hainan Free Trade Port in a law-abiding and orderly way. We must explore and develop commercial medical insurance services connected to international commercial insurance payment systems. We should support financial institutions of the insurance sector in developing cross-border medical insurance products in collaboration with overseas institutions.

8. Applying a more convenient visa-free entry policy. We will open up more visa-free application channels to foreigners including self-declaration and invitation and reception by local entities, apart from invitation and reception by travel agencies. Relax restrictions

on foreigner's application for visa-free entry, and allow visa-free entries to Hainan on business, visit, family reunion, medical treatment, exhibition and convention, sporting events and other purposes. We will apply the 15-day visa-free stay policy to foreign tourist groups traveling by cruise ships.

9. Applying a more open shipping policy. We should establish "Yangpu Port of China" as the port of registry, streamline the inspection process, gradually release restrictions on the statutory survey of ships, establish the Hainan Free Trade Port international ship registration center, and creatively establish convenient and efficient ship registration procedures. We will remove the limitation on foreign shareholding proportion for ship registration body. Under the premise of effective supervision and risk control, domestically built ships registered at Yangpu Port of China and engaged in international shipping are entitled to export tax rebate as in the situation of export. Domestic ships with both domestic and foreign trade goods on board which transit at Yangpu Port of China are allowed to refuel with bonded fuel required for the voyage, or tax rebate could be claimed if the ships refuel with locally produced fuel oil for the voyage. For container cargoes that meet relevant

conditions and transit at Yangpu Port of China for final departure from China, a trial policy of tax rebate at port of departure will apply. We must speed up the integrated development of shipping and port in the Qiongzhou Strait.

10. Applying a more open policy on air transportation. On the basis of reciprocity, we must promote the realization of the third and fourth freedom rights for inbound and outbound flights for carriers of both parties of bilateral air transportation agreements, and expand air freedom arrangement including the fifth freedom right necessary for building the Hainan Free Trade Port in accordance with China's air transportation policies. We should support Hainan in trial implementation of the seventh air freedom. We will allow airlines from relevant countries and regions to carry passengers or freight via Hainan to a third country or region. We must provide combined transportation services to international transfer passengers and their luggage. We should support airline companies with Hainan as their core base to expand international flight routes. Flights entering and departing from Hainan to refuel with bonded aviation fuel are allowed.

11. Facilitating cross-border data transfers. We will launch pilot

projects on security management of cross-border data transfers to explore and develop a convenient and secure cross-border data transfer mechanism within the framework of national security management system for cross-border data transfers.

12. Deepening industrial opening-up. We should support the development of headquarters economy. We will hold the China International Consumer Products Expo. The import and sale of foreign exhibits during national level exhibitions will be entitled to tax exemption policy which will be formulated by relevant departments. We should support Hainan in introducing high quality foreign medical resources from abroad. We must draw from the trial experience of regional medical centers to explore and support the building of regional medical centers in Hainan. High-level universities and vocational colleges specialized in science, engineering, agriculture and medical science are allowed to run international schools independently in the Hainan Free Trade Port. We must promote the partnership between Chinese top-level universities and world-renowned foreign colleges to set up jointly-run schools as independent legal entities in Hainan. We will build a national base featuring China's blockchain technology and

industrial innovation in Hainan.

13. Optimizing taxation policy arrangement. From the date of issuance of the Plan, for encouraged industries, enterprises registered in the Hainan Free Trade Port that have a practical operational record are entitled to a reduced corporate tax rate of 15%; for tourism, modern services and high-tech industries, enterprises established in the Hainan Free Trade Port are entitled to corporate tax exemption for income from newly increased overseas direct investment before year 2025. Capital expenditures that meet certain requirements are allowed to be fully deducted from the taxable income or to be depreciated and amortized at an accelerated speed in the current accounting period. High-end talents and highly-demanded talents employed in the Hainan Free Trade Port are entitled to the personal income tax rate of 15%. The list management will apply to high-end talents and highly-demanded talents who enjoy the mentioned preferential tax rate, and Hainan province will consult with the Ministry of Finance and the State Administration of Taxation to roll out specific administrative measures.

14. Strengthening central financial support. The central government will provide comprehensive financial support to make reasonable

compensation for the shrinkage of Hainan's local fiscal revenue. We should encourage Hainan to issue local government bonds within the limits approved by the State Council to support facility construction of the free trade port. We should steadily increase the amount of special bonds issued by local governments of Hainan to support major infrastructure projects under the premise of effective risk control. The Hainan Free Trade Port is encouraged to issue local government bonds to eligible global investors. Hainan will make overall arrangement of central funds and own financial resources to establish the Construction Investment Fund for Hainan Free Trade Port which will operate under government guidelines and market rules.

15. Being fully authorized by law. Policies and measures in the arrangements that require adjustment of existing laws and regulations should be implemented after the authorization by the National People's Congress and its standing committee or the State Council. We must roll out working procedures for streamlining and adjusting existing laws or regulations to put them into effect as soon as possible. Hainan is authorized to formulate the free trade port's regulations on business registration and deregistration, bankruptcy,

fair competition, expropriation and requisition. We should speed up the roll-out of Hainan Free Trade Port Law.

16. Strengthening guarantee for the utilization of land and sea. In accordance with relevant national provisions, and under the premise of never crossing the red line of ecological protection or breaking key indexes such as permanent basic farmland area, cultivated and forest land area, total scale of construction land as well as ensuring the quality of land will not be undermined, Hainan is authorized to approve the layout adjustment of cultivated land, permanent basic farmland, forestland and construction land, and incorporate the approvals in the spatial planning process at provincial, city and county levels. We must actively foster the integrated and coordinated development of urban, rural and reclamation areas, promote new models for construction land in small towns, and push forward the capitalization of agricultural reclamation land. We must establish intensive and economical development and conservation system for land resources, evaluation criteria and policy system for revitalizing and disposal of existing construction land stock. We should leverage and advocate the experience from the three pilot rural land reforms in Wenchang County and support the entire Hainan Island to

undertake in-depth rural land reforms. We must guarantee to meet the sea utilization demand for national key projects according to laws.

17. Preparing for the initiation of independent customs operations throughout Hainan Island. We will issue the catalogue for import taxation, list of restricted items for import, list of prohibited items for import, list of restricted items for export, list of prohibited items for export, administrative measures for means of transport, standardized paperwork for customs clearance with mainland customs, operating procedure for customs clearance with mainland customs and operating procedure for export clearance. We will open more ports and build facilities necessary for independent customs operations throughout Hainan Island.

18. Launching independent customs operations throughout Hainan Island in due time. We will conduct overall assessments in due time on the preparatory work for the initiation of independent customs operations for Hainan Island to identify and block any safety loophole by 2025. We will launch independent customs operations only after all preparations are done. The Yangpu Bonded Port Area, Haikou Comprehensive Bonded Zone along with other areas under

special customs supervision will no longer be reserved. Relevant supervision plans will be rolled out by related departments respectively. While independent customs territory will cover the whole island of Hainan, the current value-added tax, consumption tax, vehicle purchase tax, urban maintenance, construction tax, education surcharges among other taxes and charges will be streamlined based on laws, and related work for charging and collecting sales tax in retail sale of goods and services will be started.

(2) Priorities before 2035. We must continue to further optimize and improve the opening-up policy and related institutional arrangements to fully enable the liberalization and facilitation of trade, investment, cross-border capital flows, entry/exit of people, transportation as well as data transfers in a secure and orderly fashion. We must make headway in the construction of a high-level free trade port.

1. Enabling trade liberalization and facilitation. We must continue to provide an innovative customs supervision system, roll out a non-tariff trade measure system compatible with the overall national security concept, and establish a secure and convenient goods trade

management system with free entry and exit to enable the liberalization and facilitation of overseas goods entering and leaving the Hainan Free Trade Port. We must establish and improve relevant systems for cross-border payment business, create a favorable market environment for payment services, improve the efficiency of cross-border payment services, and take legally sound approaches to boost the liberalization and facilitation of cross-border trade in services.

2. Enabling investment liberalization and facilitation. Except for national security, social stability, ecological protection red lines, major public interests, and other areas where access management is implemented by the state, investment access is liberalized across the board. In areas with compulsory standards, an investment framework of “standard system + commitment system” is established, and market entities can undertake investment and business activities by making commitments to satisfy relevant requirements.

3. Enabling the liberalization and facilitation of cross-border capital flows. Non-financial enterprises that meet certain conditions are allowed to borrow foreign debts independently based on actual

financing needs. In the end, full convertibility under the external debt of non-financial enterprises in the Hainan Free Trade Port can be achieved.

4. Enabling the liberalization and facilitation of entry/exit of people.

We must further relax restrictions on the free entry and exit of personnel. We will apply a more relaxed policy for temporary entry and exit of business personnel and a convenient work visa policy, and continue to improve the residence system.

5. Enabling the liberalization and facilitation of transportation. We

will implement a special ship registration review system. We should further relax restrictions on airspace control and air freedom. Domestic and foreign airlines are encouraged to increase transport capacity input and open more flight routes. According to the bilateral air transport agreement, when reviewing foreign airlines' operating licenses for international routes, priority is given to issuing international airline permits to flights to Hainan.

6. Enabling secure and orderly data transfers. We must provide

innovation in the system design of data exit security, and explore more convenient measures on security assessment of personal information exit. We should carry out institutional connection of

inbound transfer of personal information, explore the addition of institutional arrangement for cross-border flow of regional international data, to improve the convenience of data transmission. We should take active part in the formulation of international rules for cross-border data transfer, and roll out standards and rules for data verification, data transactions, data security, and blockchain finance.

7. Carrying on the reform of the fiscal and taxation system. Enterprises registered in the Hainan Free Trade Port that have a practical operational record (except those industries in the negative list) are entitled to a reduced corporate tax rate of 15%. For individuals who have accumulatively lived in the Hainan Free Trade Port for 183 days within a tax year, personal income tax is levied on consolidated income and operating income earned within the Hainan Free Trade Port based on three excess progressive tax rates of 3%, 10%, and 15%. We should expand the local tax management authority in Hainan. Corporate income tax and personal income tax are regarded as the revenue shared by the central and local governments, and sales tax and other domestic tax revenues as local revenues. Hainan is authorized to voluntarily reduce, exempt, and

postpone the government funds except for ecological compensation according to the development needs of the free trade port, and independently set up enterprise-related administrative fees. Central-level administrative and institutional charges will be implemented in accordance with the unified regulations of the central government. The central fiscal support policy will be adjusted accordingly in light of changes in the tax system, and more efforts will be made to provide support. We should continue to work on the subsidy policy framework, providing a reference for China to participate in the formulation of international rules in the field of subsidies.

IV. Organization and Implementation

(1) Strengthening overall Party leadership. We must persist in arming the minds of party members and officials with Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and faithfully implement the decision-making arrangements of the Party Central Committee and the State Council. We develop still greater consciousness of the need to maintain political integrity, think in big-picture terms, follow the leadership core, and keep in

alignment; and foster stronger confidence in the path, theory, system, and culture of socialism with Chinese characteristics; and firmly upheld General Secretary Xi Jinping's core position in both the Party Central Committee and the Party as a whole, and firmly upheld the Party Central Committee's authority and its centralized, unified leadership. We must establish and improve the party's leadership system among other mechanisms for the construction of Hainan Free Trade Port, play the overall role of the Party in exercising leadership with a holistic view and coordinating all quarters concerned, and strengthen the party's leadership in all fields and aspects of the construction of Hainan Free Trade Port. Taking the party's political construction as the guide and focusing on enhancing organizational power, the quality of party building must be comprehensively improved to provide a strong political guarantee for the construction of Hainan Free Trade Port. We must strengthen the construction of grass-roots party organizations, guide the majority of party members to play a vanguard and exemplary role, and motivate grass-roots party organizations to the fullest in fueling the construction of the free trade port in Hainan. We should improve the official assessment and evaluation system that reflects the new development concept

and the correct view of political achievements, establish an incentive mechanism and a fault-tolerance and error-correction mechanism, and clearly support and encourage the officials who step up to the plate, have boots on the ground, and seek no personal gain. We must integrate the core values of socialism into all aspects of economic and social development. We must persist in strictly enforcing discipline, work harder on discipline inspection and supervision, and create a favorable, clean and upright environment.

(2) Improving the implementation mechanism. Under the guidance of the Leading Group for Promoting Hainan to Further All-Round Reform and Opening up, Hainan Province must earnestly fulfill its main responsibilities, strengthen organizational leadership, and make every effort to make headway in the construction of Hainan Free Trade Port. The relevant organizations of the central and state organs should take initiatives to provide guidance for boosting the construction of the Hainan Free Trade Port in accordance with the requirements of the Plan, allow refinement to relevant policy measures, roll out implementation plans, and see that the policies are put in effect. The Office of the Leading Group for Promoting Hainan to Further All-Round Reform and Opening up

should take the lead in establishing and guiding a Working Group for Promoting Hainan in the Construction of Free Trade Port. The National Development and Reform Commission, the Ministry of Finance, the Ministry of Commerce, the People's Bank of China, the General Administration of Customs and other ministries should send officials to base in Hainan to guide the construction of the free trade port, who should report relevant situations to the leading group in a timely manner. The Development Research Center of the State Council should organize a whole-process evaluation on the construction of Hainan Free Trade Port, and lead the establishment of an expert advisory committee to offer specialist input into the construction.

(3) Making steady progress in policy implementation. We must intensify efforts to supervise and urge the implementation, and deliver tangible outcomes on various policies and measures. We must work on and properly address new situations and new problems encountered in the construction of Hainan Free Trade Port, carry out pilot projects for some major policies and measures, and make steady progress in the implementation of the Plan.