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Will Hainan Become China's "Singapore" after Customs Closure? —A Comparative Study of International Trade Cities

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Abstract. The full-island customs clearance policy implemented in Hainan in 2025 marks a milestone in building a free trade port with Chinese characteristics. Public discussions have arisen over whether Hainan can evolve into an international trade hub comparable to Singapore. This paper conducts comparative research on the geographical endowments, policy frameworks, development models, and functional positioning of Hainan and Singapore. This paper employs literature review and comparative analysis to examine policy documents, official reports, and relevant research on the development of the Hainan Free Trade Port and Singapore. The study finds that Hainan is not a substitute for Singapore, but an innovative onshore trade hub relying on China's massive domestic market demand. The two economies form complementary interdependence within the global trading system. Singapore retains core competitive edges in offshore trade sectors, while Hainan focuses on industrial agglomeration, transit trade, cross-border financial services, and serves as a core node for the national dual-circulation strategy to realize integration with the domestic market, thus embarking on a differentiated development path. The findings provide a useful reference for understanding the future development of Hainan and the transformation of regional free trade hubs in the Asia-Pacific region.

Keywords: Hainan Free Trade Port, Full-island Customs Closure, Dual Circulation

1. Introduction

1.1. Research background

Against the backdrop of intensifying global trade frictions and accelerated restructuring of global industrial and supply chains, China has promoted high-standard opening-up via institutional reform and innovation. The Overall Plan for the Construction of the Hainan Free Trade Port issued in 2020 defined Hainan as a new highland of national opening-up. In December 2025, Hainan officially launched full-island customs closure and implemented the regulatory logic of liberalizing the first line, regulating the second line, and realizing full free flow within the island, making it the world's largest special customs supervision zone. As China's most open free trade port, Hainan's strategic

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orientation, development path, and prospects have attracted extensive attention from domestic and international communities [1].

1.2. Research questions

This paper focuses on three core research questions: First, can the Hainan Free Trade Port grow into a Singapore-style international trade center after the launch of full-island customs closure? Second, what are the similarities and disparities between Hainan and Singapore in development mode, economic structure, and trade functions? Third, do the two regions maintain competitive or complementary relations within the Asian trade layout?

1.3. Research significance

The full-island customs closure of Hainan is a landmark opening-up project of China in the new era, and its implementation effect directly determines the demonstration value of China's institutional opening-up model. At the initial operation stage, Hainan faces prominent practical problems including port congestion, parallel purchasing arbitrage smuggling, and imperfect supporting facilities, which require targeted policy optimization [2]. Systematic comparative analysis of Hainan and Singapore helps clarify development positioning, correct public cognitive biases, clarify strategic development directions, provide practical references for the high-quality development of Hainan Free Trade Port, and offer theoretical support for constructing free trade ports with Chinese characteristics [3].

2. Development status of the Hainan free trade port

2.1. Strategic background and positioning of customs closure

Hainan's full-island customs closure is a major national strategic deployment. As an independent island with unique geographical isolation advantages, Hainan acts as a vital gateway connecting China with Southeast Asia and the Pacific region. The central government selected Hainan as a reform and opening-up pilot to explore the world's highest-standard opening-up system, build a global-oriented free trade port system, and form replicable and promotable institutional innovation experience for nationwide opening-up [4].

Customs closure does not mean regional isolation; instead, it facilitates free cross-border flow of production factors through institutional innovation. The first line (between overseas territories and Hainan) realizes highly liberalized customs supervision, while the second line (between Hainan and the Chinese mainland) adopts standardized regulatory mechanisms. Within Hainan Island, personnel, goods, and capital can circulate conveniently and freely. Its core strategic objectives include building an international tourism and consumption center, a regional international shipping and aviation hub, and a new highland of high-level open economy [5].

2.2. Operational achievements after customs closure

According to the 100-Day Achievement Report of Hainan Customs Closure released by Xinhua News Agency in 2026, Hainan achieved steady progress after customs closure implementation [1]. Its total foreign trade volume hit 80 billion yuan with a year-on-year growth of 32.9%; export volume reached 1.696 billion yuan, rising 146% year on year. Goods clearance efficiency was lifted by 26%. The number of inbound and outbound tourists reached 861,000, a year-on-year increase of

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36.3%. Off-island duty-free sales totaled 14.21 billion yuan, up 27.5% year on year. A total of 7,503 new foreign trade enterprises registered in Hainan, and free trade accounts were opened covering 99 countries worldwide, showing continuous release of policy dividends and greatly improved mobility of people, goods and capital [2].

In terms of industrial development, the duty-free commodity catalog expanded from 1,900 categories to 6,600 categories. Goods with a processing value-added rate over 30% imported into mainland China can enjoy tariff exemptions, which strongly drives industrial clustering in biomedicine, high-end manufacturing, digital economy, deep-sea technology and tropical seed industry. Supporting industries also achieved synchronous upgrading: Boao Lecheng International Medical Tourism Pilot Zone launched more than 100 innovative medical tourism products, with medical equipment and pharmaceutical introductions both growing by 109.2% and booming the medical tourism industry. The International Education Zone has attracted 26 domestic and foreign universities, and Hainan now operates 92 international air routes, continuously enriching new business forms and industrial ecological layout [3].

2.3. Medium and long-term development plans

The Outline of the 15th Five-Year Plan of Hainan Province clarified medium and long-term development goals for the free trade port [4]. It proposes that Hainan's GDP will exceed 1.2 trillion yuan (180 billion US dollars) by 2030, with per capita GDP surpassing 110,000 yuan. Hainan will prioritize four core industries: tourism, modern service industry, high-tech industry, and modern agriculture, and cultivate forward-looking industries including green hydrogen energy, bio-manufacturing, and brain-computer interface. Meanwhile, Hainan will construct an integrated shipping-air dual hub and strengthen digital intelligent governance. In the field of green development, Hainan plans to raise clean energy power generation proportion to over 70%, maintain forest coverage at 62%, and coordinate free trade port construction with ecological environmental protection [4, 6].

3. Comparative analysis between Hainan and Singapore

3.1. Similarities

Both Hainan and Singapore operate as free trade ports, leveraging superior geographical locations and open institutional policies to develop international trade, cross-border logistics, transnational investment, and high-end consumption businesses. Both rely on tax incentives, institutional optimization and infrastructure upgrading to enhance regional radiation capacity and international competitiveness, serving as pivotal hubs of the Asia-Pacific economic and trade network [7].

3.2. Core differences

Singapore is a mature offshore trade center located at the strategic chokepoint of the Strait of Malacca. Its economy is export-oriented, focusing on entrepôt trade, offshore financial services, and high-end modern services. Supported by a complete supervision system and top-tier supporting facilities, Singapore's economic gains mainly derive from transit logistics revenue and cross-border financial service charges [8].

In contrast, Hainan is an onshore trade hub backed by China's ultra-large domestic consumer market, forming a dual-circulation operation logic of gathering global resources in Hainan and

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radiating the mainland market. It undertakes industrial deep processing and domestic consumption upgrading functions, and bears core missions to implement China's domestic and international dual-circulation strategy [9].

3.3. Competitive and complementary relationship

Hainan is not a substitute for Singapore, but an emerging trade hub adapting to the new era of globalization 2.0. The two regions do not follow a zero-sum competitive logic but maintain complementary cooperative relations [6]. Singapore holds dominant influence over cross-border resource allocation in Southeast Asia with advantages in offshore business and high-end financial services. Hainan takes full advantage of China's huge domestic market potential to expand regional trade increment, and its core competitiveness lies in providing standardized market access channels for global enterprises targeting the Chinese market. The two sides will jointly optimize Asian trade rules and industrial layout to form a differentiated development and win-win cooperation pattern [6, 10].

4. Opportunities and challenges facing the Hainan free trade port

4.1. Major challenges

First, Hainan faces a shortage of high-end internationalized professional talents, and its capacity for international service provision and international rule docking has not yet reached the standard of world-class free trade ports [7]. Second, supporting systems remain incomplete; financial service systems, port logistics infrastructure, and digital supervision platforms need continuous optimization and upgrading [3]. Third, at the initial policy adaptation stage of full-island customs closure, prominent supervision risks emerge, including port congestion, parallel purchasing speculation, and smuggling hidden dangers [1, 2].

4.2. Major development opportunities

Benefiting from the Regional Comprehensive Economic Partnership (RCEP), China's large-scale ocean-going vessels facilitate trade between Hainan and South Asian countries. Hainan boasts great potential for in-depth economic and trade cooperation with ASEAN countries, supported by the enormous growth space of the domestic market. Emerging industries including health tourism, international education and high-tech manufacturing have broad development prospects [8]. As a key node of China's dual-circulation strategy, Hainan shoulders the mission of institutional innovation and can explore a brand-new free trade port development model with Chinese characteristics through pilot reforms [7].

5. Conclusion

In the near future, Hainan will not take the path of Singapore.

There are geographical and market factors, and functional positioning: Singapore is an old and mature offshore international economic center, and Hainan is an onshore trade hub that has a huge domestic market in China as its base. In the long run, using

Hainan has its own unique advantages of institutional innovation, strong domestic market support, and superior ecological resources, which enable it to become an international trade center and the country's opening-up.

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The establishment of the Hainan Free Trade Port is a symbol of China's high-level opening up.

Not only does it open up a new way for China to be connected to the global economic system, but it also offers China's solution to free trade ports to the world. Future development needs constant improvement of institutional systems, strengthening of talent cultivation, and To strengthen risk prevention and control, and support for infrastructure construction, to attain differential, quality, and sustainable development.

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