



The Role of Hainan Free Trade Port in Shaping China's WTO Commitments and International Trade Policies

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ABSTRACT

The establishment of the Hainan Free Trade Port (hereinafter HFTP) represents a key development in China's economic strategy, aligning closely with the nation's commitments under the World Trade Organization (WTO). Officially launched in June 2020, the HFTP is designed to foster an open, modern, and competitive free trade environment, with ambitions to become a leading global trade hub by 2035. This initiative, however, presents complex challenges in balancing the innovative policies of the HFTP with China's existing WTO obligations. The unique regulatory framework of the HFTP, including zero tariffs and significant trade liberalization measures, raises critical questions about compliance with WTO principles, particularly regarding non-discrimination and fair competition. This research article studies the legal and economic implications of the HFTP within the context of China's WTO commitments, analyzing both the potential benefits and challenges presented by this ambitious project. By examining the intersection of the HFTP with China's broader international trade policies, this study intends to provide insights into the changing dynamics of global trade and offer recommendations for harmonizing the HFTP's objectives with international trade law.

Keywords: Economic Reform, Hainan Free Trade Port, International Trade, Trade Liberalization, World Trade Organization.

INTRODUCTION

China has undergone many strategic changes in the economy, which imply an increasing level of integration into the global economic system. In this context, the role of the free trade zones is paramount in the given process of structural change. The establishment of the HFTP (Hainan Free Trade Port, n.d.) in June 2020 marks a significant milestone in the observed transformation, serving as a test site for the maximum openness of the Chinese economy. This would be based on a commitment to the highest standards of international trade liberalization while promoting Hainan's role in global supply networks. In this regard, the observed initiatives correspond with the WTO (World Trade Organization, n.d.) rules since China entered the organization in 2001. The main focus of this agreement is on the obligations of trade liberalization, transparency, and non-discrimination (Ala'i, 2023).

During the process of globalization, the rapid integration into international markets has also become a source of political and economic complications. One of the most critical challenges associated with globalization is ensuring that innovative domestic policies are not contrary to international commitments. The highly ambiguous nature of the HFTP's regulatory framework concerns the unique combination of zero tariffs, minimal trade barriers, and liberalized capital flows, as well as its significant potential to affect both domestic and international trade. Consequently, the question of the compatibility of such a policy with China's membership in the WTO is a priority, especially regarding the specified principles of competition and non-discrimination (An, 2019).

It appears that the success of the HFTP will significantly influence China's future international trade policies, as well as its relationships and collaboration with other countries. Simultaneously, HFTP has the potential to transform the global economy and establish a novel approach to managing a state's economy (X. Li & Zeng, 2022). This position seems to presuppose that there are no negative outcomes because the shift of focus on economic innovations will be a decisive characteristic of the Chinese economy and state and will change the current paradigms of the international trade community (Qi, Wu, J. Wang, & Wang, 2021). This paper seeks to investigate the complex relationship between the HFTP and China's commitments under the WTO, analyzing to what extent the transformative policies pursued within the HFTP are in line with or conflicting with China's obligations under international trade law. This study explores the legal and economic details of the policies in the HFTP, offering insights into global trade and recommendations for aligning HFTP goals with China's international commitments.

THE HAINAN FREE TRADE PORT: AN OVERVIEW

Establishment and Strategic Vision

On June 1, 2020, the HFTP (Hainan Free Trade Port, n.d.) was officially introduced, which demonstrated China's continued and significant efforts in expanding its economic integration throughout the world. The Chinese government initiated the HFTP, claiming it to be the country's most ambitious free trade zone initiative, to establish Hainan Island as a globally significant free trade port by 2035 (X. Li & Zeng, 2022). The HFTP's creation completely aligns with China's economic strategy, which aims to promote free trade zones as experimental zones to pilot new measures and policies for establishment in other regions of the country (Dong & Bian, 2024).



Figure 1. Hainan Free Trade Port¹

According to the Chinese government, the HFTP enables the creation of essential conditions for the nation's economic reforms, which are aimed at broader economic liberalization and enhancing innovation in trade and investment. Furthermore, the HFTP is regarded as one of China's primary strategies to enhance economic stability amidst the challenging global trade environment. It is expected that, playing the role of an important participant in international trade, Hainan will demonstrate high performance in the area, providing an example for other Chinese regions, contributing to the country's economic development, and extending China's global trade influence (Chan, 2020).

Core Policies and Incentives

The HFTP has developed policies to boost global investments and streamline trade. One important policy is the zero-tariff system for specific goods, which removes import tariffs and taxes. It was targeted at improving the situation at the expense of transnational corporations that do their business in the HFTP and development of the industries of advanced manufacturing and high-tech (S. Wang, Li, & Khaskheli, 2024). Moreover, HFTP proposes a simplified regulatory framework to reduce bureaucratic obstacles and enhance the efficiency and precision of the movement of goods, services, and capital. These may include broader visa options to expedite the attraction of

¹ Hainan Free Trade Port <https://www.globaltimes.cn/page/202204/1260184.shtml>

global talent, simpler customs procedures to make goods clearance faster, and lower corporate income tax rates. Apart from this, some enterprises in prioritized sectors, such as tourism, modern services, and high-tech, are exempt from corporate income tax for longer periods of time (Tao, 2022). The HFTP's action aimed at liberalizing capital flows will allow free exchange in foreign currency, facilitating business financing across borders and involving many international financial institutions to establish and develop a quality financial services industry within the HFTP. Another approach is the effort to have a legal system similar to world standards that would enforce intellectual property at a significantly better level and would provide for a transparent business environment where businessmen can better be ready for the likely future outcomes (Table 1).

Table 1. Key Features of the HFTP (H. Hu, Wang, & He, 2020)

Feature	Description
Zero Tariffs	Tariff-free policies for goods traded within the port, along with streamlined customs procedures to facilitate trade.
Trade Liberalization	Significant measures to liberalize trade in services and goods, including the easing of restrictions on foreign investment.
Financial Innovation	Promotion of financial innovation through relaxed capital controls and the development of offshore financial services.
Tourism and Services	Focus on boosting tourism and modern services, aiming to make Hainan a leading destination for international tourism and a hub for modern service industries.
High-Tech Industries	Development of high-tech industries, particularly in areas like biotechnology, internet services, and environmental technology.

Economic Impact and Strategic Importance

The establishment of the HFTP appears to be a strong step for its inevitable economic effects, both in Hainan Province and throughout China. Once established, by 2035, HFTP will become a major world transport hub of the global rank, significantly driving Hainan's GDP and contributing to the economic growth of the whole of China. Furthermore, the port will attract foreign direct investment in Hainan's tourism, finance, and world high-tech industries, and the specialization towards these sectors will promote economic diversification and the decline of the gravity towards agriculture and residual-oriented business (Meng, 2023).

From a global perspective, the HFTP is strategically located to enhance China's influence in international trade. Situated in the South China Sea, the island has developed networking along key maritime routes, positioning it as a significant link in the global supply chain, particularly in the Asia-Pacific sphere (An, 2019). The HFTP is also expected to become a transit place for Chinese goods to the world's market and powerful technologies available on the world market to China. Also, HFTP is involved in the Belt and Road Initiative. The BRI implies a series of "overland and maritime corridors, composed of railroads, highways, seaports, and airports, but also fiber optics and pipelines," that allow trade between China, Asia, Europe, and Africa. Furthermore, while developing trade links and logistics services to support the BRI routes, HFTP may also be able to contribute to the initiative's broader objectives. As a result, it appears that HFTP is involved in long-term strategic planning to expand its network, and this goal necessitates that the facility broaden its target customers (H. Zhang & Han, 2019).

Although HFTP presents many opportunities for economic and international trade growth, it also has some challenges. However, the rapid implementation of the innovative policy in HFTP necessitated a careful balance with China's existing commitments under the WTO in various areas, particularly its binding obligations in GATT (WTO, n.d.-a) and GATS (WTO, n.d.-b) agreements on non-discrimination. The innovative goal of HFTP necessitates intricate legal and regulatory modifications to align with international commitments (Golan, 2020). Furthermore, different trends may influence HFTP's activity in the country and dictate its focus. Specifically, the level of education in a particular country is one of the factors that may shape the necessity for such a partnership, meaning that there will be ongoing requirements for further professional development accordingly. Moreover, the success of the HFTP is dependent on the development of an effective hiring strategy aimed at attracting and retaining global talent, as well as promoting innovation and entrepreneurship. To achieve this, HFTP must create not only an open and competitive business environment but also a venture conducive to technology development and sustainable operations (Cao, Zhang, & Chang, 2023). The profound international political context also needs to be considered, including the complexity of the international trade situation in light of constantly changing global economic problems and potential conflicts. Furthermore, HFTP is a strong example of the bold and innovative policy to boost the role of China in the world economy. The development, establishment, policies, and effects of HFTP described throughout the paper demonstrate that it is currently one of the most strategic steps in

any country to influence international trade. Through HFTP, China is likely to become a global leader in economic development and global economic governance. At the same time, domestic innovation and the need to meet global obligations and requirements can become a tension for HFTP, as well as a valuable contribution to the reform of international trade in a globalizing world (Catellani, 2022).

CHINA'S WTO COMMITMENTS AND THE HAINAN FREE TRADE PORT

China's WTO Commitments

China joined the WTO in 2001, marking a significant change in its economy. This move helped China become more involved in the global economy by embracing international trade rules and ignoring any negative concerns. All obligations to become a WTO member contributed to fair competition, market access, and nondiscrimination against non-Chinese products. One of the most evident obligations was the decision to follow the discipline of transparency in the creation and enforcement of trade regulations. They mandate the publication, accessibility, and understanding of these regulations by foreign companies operating on Chinese territory (Harrison, Hong, Lam, & Xiao, 2020). As a result, foreign firms will understand the rules, thereby reducing the level of uncertainty that hinders trade in China. One of the other essential commitments made by China within the WTO membership was the principle of national treatment. China could not discriminate against or treat foreign goods and services less favorably than local commodities once they arrived on its territory. It allowed foreign entities to compete on the same basis, preserving a relatively fair-trade market. In addition to the MFN principle, China must treat all WTO member countries equitably if they receive favorable terms (Dong & Bian, 2024). Moreover, China ought to slash trade barriers over time, for example, by applying lower tariffs, abolishing quotas, and other non-tariff restrictions preventing foreign goods from entering Chinese markets. Overall, these commitments were instrumental in boosting foreign trade and facilitating the rapid growth of the Chinese economy over the past 20 years (J. Wang, Liao, Xiong, & Wang).

The Hainan Free Trade Port and WTO Compliance

First and foremost, it is important to note that the establishment of HFTP has been a strong move given the country's recent endeavors to open up its economy and promote innovation. However, the HFTP's implementation of various preferential policies, such as zero tariffs, tax benefits, and fewer regulatory procedures, has raised questions about China's compliance with WTO policies. The HFTP's goal of eliminating all tariffs on imported goods aligns perfectly with the WTO's efforts to lower trade barriers, promote trade liberalization, and ultimately reduce tariffs on imported products. The corresponding strategy fits the role of the WTO and the policies that it promotes, i.e., reducing trade obstacles and implying higher market access. Preferential treatment given to firms located within the HFTP is likely to cause issues with the WTO. While HFTP provides its companies with reduced tariffs, tax advantages, and more straightforward regulations, this policy can be considered as giving an unfair advantage to domestic firms. According to its national treatment principle, China must offer the same treatment to foreign companies (Yao, 2024). Thus, the WTO may accuse China of violating its regulations by providing its firms with special advantages. Additionally, regarding the financial innovations provided by the HFTP, it's important to note that this specific area of the city was granted permission to relax capital controls and liberalize the provision of financial services. According to the GATS (WTO, n.d.-b), however, China's partners, as well as other WTO members, must receive equal treatment. Should HFTP's policies prioritize Chinese financial institutions over foreign ones, China might encounter specific challenges within the GATS system. Given the global significance of financial services, this could potentially lead to conflicts (Z. Wang & Yang, 2023).

Balancing Innovation with WTO Obligations

HFTP has many objectives, such as attracting foreign investment into the Chinese economy, encouraging innovation, and promoting economic advancement. To achieve these goals, HFTP must comply with the WTO's provisions (WTO, n.d.-c). Determining whether the policies of HFTP comply with the requirements of the WTO will also become critical for preventing disputes and ensuring China's integrity in the global trading system. To achieve this balance, China will need to implement several key measures. First, careful monitoring and adjustment of HFTP policies are essential to prevent conflicts with WTO commitments. This could involve regular consultations with WTO members and making necessary adjustments to policies perceived as overly protectionist or discriminatory. Such vigilance will help ensure that HFTP remains in compliance with international trade rules (Gong, 2019). Second, proactive engagement with WTO members will be important in mitigating potential disputes. By demonstrating a commitment to transparency and cooperation, China can address any concerns that other members may have about whether the HFTP complies with the WTO rules. Undertaken early, this will also help to deal with any issues before they escalate into a formal dispute. In this regard, open dialogue with other WTO members is likely to contribute to a smoother trading regime. Third, introducing legal protective measures

into the HFTP system by WTO principles may help to prevent potential disputes. Offering the same protections or incentives to foreign businesses as to domestic enterprises, for example, would further the principle of national treatment. This step might discourage claims of unfair competition or advantage to domestic companies and, therefore, keep them compliant with WTO provisions (Table 2).

Table 2. China's key WTO Commitment and HFTP Compliance (Dong & Bian, 2024)

WTO Commitment	Description	HFTP Compliance
Transparency	Requirement to maintain transparent trade policies and procedures.	HFTP implements clear policies, but the preferential treatment may raise concerns regarding transparency
National Treatment	Obligation to treat foreign and domestic companies equally.	Preferential policies for HFTP businesses could be seen as violating this commitment.
Non-Discrimination	Prohibition against discrimination between trading partners.	Zero tariffs and streamlined customs are in line with this principle, but concerns remain about selective benefits.
Fair Competition	Requirement to ensure fair competition among all market participants.	The HFTP's policies aim to foster competition, though the benefits for domestic firms may create perceived imbalances.

Besides, the HFTP is also a substantial development in the country's economic reform with the potential to become a model for further liberalization and innovation. The success of such an initiative depends on China reconciling its WTO obligations with the HFTP's ambitious goals. As a result, China would ensure that the agreement not only contributed to its economic development but also remained in compliance with the adopted global trading rules.

IMPACT ON INTERNATIONAL TRADE POLICIES

Shaping Global Trade Dynamics

HFTP is unquestionably a milestone in China's international trade strategy. It serves as an indicator of China's intention and dedication to expand its role on a global scale (Xiu & Li, 2023). The purpose of the initiative is to turn Hainan into the heart of global trade, which has an opportunity to begin and shape new trade patterns and economic tendencies. It appears that this initiative offers a new avenue for enhancing trade liberalization and modifying regulations. China expects multinational corporations to shift their direction towards the HFTP as a result of the creation of new, more liberal regulations and the removal of tariffs and restrictions. HFTP can affect global supply chains because businesses want to take advantage of its benefits, which impacts how products are formed and distributed. The HFTP area will attract people to high-tech jobs and innovations. It has the potential to transform the HFTP into a significant technological player, influencing global trends and characteristics of technology, as well as facilitating access to these innovations (Dong & Bian, 2024).

Implications for Global Supply Chains and Market Access

HFTP is likely to become a factor influencing the entire world's supply chains and market access by becoming an area of vital trade and investment for Asia. With its zero-tariff policies and low regulation, the port creates attractive economic conditions for many multinational corporations that will be interested in integrating Hainan into their operations in the region (J. Yang, Zhang, & Yang, 2022). The lower tariffs and reduced regulatory framework are likely to incentivize companies to divert their supply chains. Hainan will become an important location for many companies, which will impact global supply chains (Liang, 2023). As a result, global corporations will likely change to suit the economic conditions and streamline opportunities provided by the port, leading to increased centralization of goods production and distribution in Hainan (Gong, 2019).

Challenges for International Trade Law

Several challenges to international trade law are associated with the preferential policies and incentives linked to HFTP. While the specified tariffs and administrative regulations aim to enhance Hainan's appeal to both national and foreign companies, they also raise concerns about the potential for trade distortions and unfair competition. Specifically, we expect Chinese facilities to benefit from the reduced import costs and looser administrative requirements in Hainan. It is believed that the provision might lead to a situation where international companies would feel that they are under unfair competition as a result of the change (Liang, 2023). This can provoke discussion in the WTO, as China's partners can suggest that the WTO agreements are based on

the principles of non-discrimination and fair competition, whereas those partners can accuse HFTP of violating the agreements' provisions by using preferential policies. Thus, the risks of disputes in the international trade context will increase. Other countries may express concerns about their relationship with China or file complaints with the WTO. This could lead to disputes that increase trade protectionism, affect China's international trade situation, and damage the country's global trade reputation (M. Zhang, 2020). Countries affected by the HFTP's introduction may feel entitled to more closely scrutinize whether China is taking appropriate measures to ensure that the HFTP's operations do not lead to undue distortions in its trade policy or with its trade with other nations. Trade negotiations and China's relations with the international trading community may expect increased scrutiny. To assume, while the HFTP will likely improve China's economic position and influence in global trade, its preferential policies present significant challenges for international trade law (Chu, 2024). Such challenges include distortions in trade, disputes in the context of trade frameworks, checks and balances from China's trade partners regarding HFTP-related policies, and their effect on China's trade and international trade obligations.

Influence on China's WTO Negotiations

Policies adopted within the HFTP, as a key tool in China's strategy of expanding trade liberalization and regulatory development, may determine the direction of China's negotiations and the objectives it seeks to achieve during future international trade talks. The HFTP's strong emphasis on creating a highly open and competitive trade environment is likely to influence China's stance on several key issues involved in the WTO talks, such as trade agreements in services or intellectual property rights. China may feel more confident proposing similar concessions and reforms during WTO negotiations, particularly after having implemented several forward-looking trade policies and organizational changes as part of the HFTP (L. Zhang & Xiao, 2021). Success and challenges encountered when managing the HFTP would help China's negotiation stance. China will use the experiences to develop better strategies based on the HFTP's past successes and challenges. If China wants a new agreement that focuses on liberalization, it will likely ask for greater commitments regarding market access and regulatory alignment. In the future, China will seek to ensure stronger protection for technology and intellectual property rights, as well as provision for protected markets and market access in international organizations, as reflected by its growth as a major supplier of high-tech products (Tian, Xu, Yu, & Zhu, 2018). Furthermore, because HFTP promotes innovation and attracts foreign investments, linking it to China's trade policy may strengthen its position in trade and investment rules negotiations (Z. Wang & Yang, 2023). China's approach and objectives in international trade may mirror the port's focus on trade liberalization and the significance of regulatory reform in enhancing facilitation and efficiency. It can be assumed that these experiences are likely to have a profound impact on China's future trade negotiations and the overall objectives of its trade policy (J. Hu, 2014).

OPPORTUNITIES AND CHALLENGES

Opportunities

The HFTP offers many opportunities for both China and the global trade community. Its establishment is designed to drive economic growth and innovation while offering valuable lessons for future economic policies and trade practices.

Economic Growth and Investment Attraction: The HFTP facilitates economic development in Hainan and encourages foreign corporations and investors to invest in the port, thanks to its free trade arrangement that eliminates tariffs, customs, and minimal regulatory requirements. By establishing an arrangement that enhances the economic conditions in the region, the HFTP presents a significant opportunity for the locals to create more job opportunities with the assistance of outside funds, as an influx of foreign investments is expected to occur. The focus on technology and modern services suggests that HFTP will attract companies skilled in advanced solutions, leading to more innovation and diversity in the economy (B. Hu, 2019).

Model for Trade Liberalization: HFTP serves as a model for various forms of trade liberalization and regulatory changes. The implementation of such a progressive trade policy as HFTP serves as an example of the practice of a country for other countries. If the model proves successful, other regions or selected countries may later create similar free trade areas. In the future, free trade policies may incorporate insights from HFTP on effective management of trade liberalization and economic reform (Liu & Yu, 2021).

Technological Advancements and Industry Development: By focusing on high-tech industries, HFTP creates opportunities for technology-driven industry growth and development. The port's goal is to create an environment that fosters innovation, allowing tech-emerging and high-tech industries to develop. As a result, Hainan can become a major center of the world's technological sector, driving technological trends and promoting new

technology development. Furthermore, focusing on high-tech industries not only strengthens China's position in the global market but also contributes to the growth of satellite industries such as research and development and advanced manufacturing (Zhou, Dai, & Liang, 2020).

Enhancing China's Global Trade Position: The HFTP can be a facilitator of China's global trade position. The fact that China has established a high-level free trade port, which reflects China's unremitting efforts to comprehensively deepen reform and opening up, shows that China is becoming the leader in international trade. Moreover, the HFTP can also change the focus of the global economy to one of free trade and economic reform. This will be a significant accomplishment for China in the global context, demonstrating the effectiveness of the HFTP in facilitating China's global trade position (Moenardy, Santoso, & Dermawan, 2021).

Contributions to International Trade Law: HFTP expects to participate in the evolution of international trade law. As one of the first attempts to create a free trade port and determine its purpose, HFTP has accumulated experience and results that can be significant in relation to other zones of this type. In this scenario, we can anticipate that HFTP's experience will inform the reevaluation of international trade policies and regulations (Y. Chen, Li, He, Zhou, & Chen, 2023). For example, knowledge of how such ports can function and interact with other global economic nodes can shed new light on their development in the context of changing international trade. It is also possible to expect that the HFTP's experience of further trade liberalization and economic reform can be considered during the attempts to reinforce international trade law. In a nutshell, the HFTP offers many opportunities for economic growth and industry development. It could serve as a role model for further liberalizing trade and reforming regulatory frameworks, boosting China's position in the global trade system and international trade law. Establishing and properly functioning the HFTP will bring about significant changes in Chinese and international trade, influencing the development of future policies and practices in the global economy.

Challenges

The HFTP, while promising significant benefits, also faces several challenges that could impact its success and integration into both China's economic strategy and the global trade system.

Compliance with WTO Obligations: Probably the main challenge for the HFTP is the need to comply with China's WTO commitments. It is likely that the preferential policies implemented by the HFTP, specifically zero tariffs and freedom from certain regulations, have created distortions in China's international trade. These policies align with the WTO's prohibition of discrimination, the principle of fair competition, and even the resolution of disputes with member states. However, if the preferable treatment of domestic companies undermines the position of their foreign rivals in China, providing an unfair advantage, the latter may file formal complaints and lawsuits in the framework of the WTO, which would question China's position in the world (Choi & Sun, 2024).

Potential Trade Distortions: Preferential treatment for businesses in the HFTP has the potential to cause significant trade distortions. The reduction in tariffs and various other regulations will raise concerns about other companies outside of HFTP. The ease of doing business may create competitive imbalances, so that companies outside HFTP will not be able to do business on the same level playing field. Other countries will raise concerns about unfair trade practices, which will lead to further scrutiny by international bodies. Trade distortion has the potential to disrupt smooth trade relations, leading to retaliatory incidents. The Chinese government has no interest in disrupting its trading relations or its broader trade policies.

Financial Regulation Conflicts: The raised financial innovations in the HFTP, such as the relaxation of capital controls and more liberal financial regulations, may potentially create challenges to China's WTO obligations, especially to the GATS. According to GATS, member states have to ensure equal treatment of foreign providers of services, and if the country's policies are considered to favor the domestic economy, they may conflict with the agreement. Therefore, developing financial policies within the HFTP framework will be a challenging task, requiring implementation in line with WTO requirements and promoting the achievement of the country's economic objectives (Xiu & Li, 2023).

Integration with Broader Trade Policies: Another challenging aspect pertains to the coordination between the HFTP and China's smaller trade policies. The successful implementation of the HFTP requires coordination with China's broader trade and economic approach, given its unique policies and regulations related to imports and exports. In this way, the potential conflict between the provided policies and the country's trade approach as a whole necessitates considering them in balance. For this purpose, additional coordination and the integration of efforts from multiple regulatory bodies and institutions involved in defining these policies appear to be necessary (Xiu & Li, 2023).

Potential for Increased Trade Tensions: One of the trade-related issues that the HFTP faces is the possibility of a rise in trade tensions with China's partners. If other countries perceive the HFTP's policies as unfair and unjust and perceive an uneven playing field, they may introduce a series of precautionary measures and begin to control their trade with China more closely. Therefore, we should develop feasible strategies and implementable solutions to manage trade tensions, aiming to foster sustainable relationships with China's partners and achieve China's trade objectives.

Implementation and Operational Challenges: Also, there will be operational problems with implementing the HFTP. If anything, managing a top-tier free trade port is a complex logistical, regulatory, and administrative task. The effective implementation and further operation of the HFTP depend on being able to enforce the port's legislation and policy, maintain the necessary infrastructure by international standards, and have the capacity to attract the required amount of investment and the associated level of economic activity. To achieve the projected outcomes and provide the expected economic advantages, we must effectively manage the identified operational challenges (Liang, 2023).

Overall, many obstacles confront the HFTP, including ensuring compliance with any obligations the nation has agreed to with the WTO, managing trade distortions, complying with financial indiscipline and removing conflicts with financial regulations, integrating with more general trade policy, reducing trade tensions, and ensuring proper implementation. Therefore, addressing these obstacles thoughtfully and strategically is important to ensuring the success of the HFTP and its position within China's economic strategy and the global trade system.

THE WAY FORWARD: RECOMMENDATIONS FOR THE HAINAN FREE TRADE PORT

As the HFTP progresses, several strategic recommendations can help optimize its impact while addressing potential challenges. These recommendations are designed to ensure that the HFTP aligns with global trade standards, enhances its competitive position, and contributes effectively to China's broader economic goals.

Strengthening Compliance with WTO Obligations

To enforce the WTO's principles and reduce trade dispute risks, HFTP should focus on actions to enhance transparency and expand dialogue with the WTO's entities. First and foremost, the HFTP should implement and practice clear and transparent policies that are per WTO regulations, and the HFTP should release detailed reports regularly about the impact of implemented policies and mechanisms on trade. It is integral that high levels of transparency are maintained to ensure that foreign entities can trust them. Furthermore, China should get involved in the relevant discussions and talks with the WTO to identify any issues with the WTO and attempt to get help from experts in fixing and removing inappropriate elements. Lastly, a monitoring mechanism should be constructed to evaluate HFTP's compliance with WTO's regulations, and it should feature feedback channels for foreign businesses and stakeholders (Z. Li, 2023).

Mitigating Trade Distortions

The HFTP must be preserved as a tool of economic development that is set to promote economic growth, especially in the states that are particularly disadvantaged. However, in order to avoid potential trade distortions, it must provide equal incentives and assistance to those companies that operate within the country and those that are foreign. This will include similar tax breaks, subsidies, and other advantages in terms of the involved legal and regulatory procedures. It may also be useful to open a dialogue with one's other trade partners about any perceived trade distortions that may exist. This may be a bilateral or multilateral forum in which to discuss the topic of trade. This should be done over concerns with regard to fair trade practices, which are supposed to ensure that one's competitive advantages are not unfair. As such, using the provided policy's provisions to avoid any inadvertent distortion will also make the competition fairer (Office of the Free Trade Port Working Committee of the Hainan Provincial Party Committee, 2023).

Aligning Financial Regulations with GATS

The most important aspect of reconciling HFTP's financial policies with GATS is that it should be ensured that the financial regulations are by the requirements HFTP has posed. Therefore, it will be ensured that the treatment provided for the foreign service providers is adequate to the policies practiced by the domestic organizations. It will be necessary to make certain that the regulations will be periodically revised and updated to maintain the accordance of HFTP policies with the requirements. In addition to the above, it may help if we work with the other GATS members often and avoid creating potential issues between the provisions. The last aspect is that to fulfill the agreement's obligations, we need to design policies ensuring financial inclusivity and ensuring that the providers' nationality will not limit their access to equal financial services (Buckley & Zhou, 2013).

Integrating HFTP Policies with National Trade Strategy

To ensure a cohesive integration of the HFTP with China's broader trade policies, it is necessary to establish a dedicated coordination body or a committee that would have the appropriate mandate and means to facilitate internal integration of the HFTP with other relevant strategies. Importantly, the two parties to the HFTP must conduct regular reviews of the HFTP policies and compare them to the existing national economic strategies. The aim of these reviews would be to identify significant discrepancies that create conflict and update the relevant parties regarding the changes that are made. In addition to the steering committee, two coordinating bodies will also have to hold regular meetings with the relevant stakeholders, such as government agencies, businesses, and local authorities, to get them to implement and understand the policies (Pei, 2024).

Addressing Trade Tensions Proactively

To regulate and minimize the potential threat of trade tensions associated with the HFTP's policies, it is advisable to start a diplomatic dialogue with the other trading partners. The latter will help deal with fears, misunderstandings, and concerns regarding the HFTP until they get to open disputes. To reach a positive outcome, it would be reasonable to report detailed information regarding the HFTP's policies and their impact on global trade to the other parties. Also, since the HFTP's administration is willing to reach a satisfactory compromise and avoid conflicts, it will be important to offer negotiation options and suggest the amendments to the HFTP's approach as an intervention.

Overcoming Implementation and Operational Challenges

Implementation and development of the above-mentioned technology are associated with significant practical tasks, which primarily include the investment of substantial resources in the development of infrastructure and its production. In this context, one should allocate resources to high-quality development and maintenance of infrastructure. Simultaneously, it is crucial to simplify the identification of subjects and objects within the newly created conditions. To do this, specific digital solutions should be developed, and it is fundamental that there be minimal problems associated with the smooth and correct implementation of business activity and the operation under the new conditions. Consequently, it is essential to ensure that all participants have access to training and the necessary tools to achieve some success in the HFTP.

CONCLUSION

The HFTP is a transformative development in China's trade policy and economic strategy. As of 2020, the goal is to establish a high-level, open, and competitive free trade environment by 2025, and to develop a comprehensive set of free trade port system rules, aiming to establish a fully mature HFTP by the year 2035. This ambitious initiative demonstrates China's desire to become more involved in the dynamic of the leading mechanisms of global trade. The primary focus is on attracting foreign investment, enhancing the country's export potential, and bolstering high-tech industries. However, the HFTP's heterogeneity about other Chinese trade policies and interplays will produce a range of pressure points and opportunities for the WTO. On the one hand, the country's zero tariff and developed liberalization initiative are in line with the objectives of the organization to promote an open trade environment. On the other hand, preferential treatment and financial innovations put forward by China are likely to result in trade distortion and pose risks to several WTO commitments, including financial services and fair competition.

To address these issues, China must ensure that the HFTP complies with WTO rules by improving transparency, equalizing incentives for domestic and foreign businesses, and harmonizing financial regulations with the GATS. Proactive engagement with WTO bodies and trading partners, with a strong monitoring system, will help mitigate trade tensions and align HFTP with international trade standards. For the international community, the HFTP offers an opportunity to engage with China on trade liberalization and economic reform. Successful implementation of the HFTP could serve as a model for other countries looking to establish similar free trade zones and contribute to the evolution of international trade law. By addressing potential challenges and using opportunities, HFTP can improve global trade dynamics and foster more inclusive economic growth. As HFTP evolves, ongoing evaluation and adjustment of its policies will be important to ensure that it not only meets its strategic goals but also integrates seamlessly with global trade frameworks. Ensuring that the HFTP contributes positively to China's economic development and international trade relations will be important for its long-term success and the broader international trade environment.

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ETHICAL DECLARATION

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