



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

JUNE 2026

Hainan Free Trade Port established to attract foreign business to China

MARKET INTELLIGENCE REPORT

Summary

- The launch of Hainan's Free Trade Port (FTP) in 2025 is the latest significant step in a series of free trade and opening up policy experiments. The FTP seeks to leverage its special economic zone policies, island geography, and strategic location in the South China Sea. On paper, the FTP offers extensive zero tariff treatment, competitive tax incentives, a short foreign investment negative list and a growing duty free and tourism ecosystem. The current settings of the FTP do not offer clear advantages for most New Zealand exporters due to the comprehensive nature of the New Zealand-China Free Trade Agreement, however some potential advantages may exist for emerging sectors.

Report

Hainan is China's southernmost province and its largest Special Economic Zone (SEZ). It has been used to pilot reforms in trade, investment and public administration for decades. Its location on major maritime routes between the Pacific and Indian Oceans and proximity to Southeast Asia, have increased its strategic importance within China's economic planning.

In 2018 the central government announced its intention to transform Hainan into a high standard free trade port and in December 2025 launched an 'island wide special customs operations', marking the transition from zone-based pilots to full implementation across the entire island. This gives Hainan significantly broader autonomy, as China positions it as a long-term project to develop a globally competitive free trade port.

Core features of the Hainan Free Trade Port (FTP)

Hainan's FTP aims to attract global businesses, investment, and talent by offering a low tax environment, China's most open investment framework, and an expanding tourism and duty-free ecosystem. Hainan seeks to leverage these features to develop a "free trade port with Chinese characteristics" that rivals other hubs such as Hong Kong, Singapore and Dubai.

Key features include:

- **Two tier customs regimes:** Most goods enter Hainan duty-free; onward shipment to the mainland is taxed unless at least 30% value-added locally.
 - **Tariff free coverage:** tariff free coverage has increased from roughly 21% (1,900 items) to more than 74% (6,600 items).
 - **Tax incentives:** 15% corporate income tax for firms in encouraged sectors; tax free income on new overseas direct investment; 15% individual income tax cap for high calibre and urgently needed talent.
 - **Investment environment:** China's shortest foreign investment negative list and fewer restrictions of movement of capital across borders.
 - **People mobility and duty-free:** Offshore duty free quota of RMB 100,000 per person; visa free entry for nationals of approximately 86 countries.
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What this means for New Zealand

Around 98 percent of New Zealand's exports already enter Mainland China tariff free, including traditional sectors such as dairy, meat and forestry. Direct access to major mainland ports is efficient and well established. These sectors are likely to see limited additional benefit from current Hainan FTP offerings.

Hainan may still offer opportunities for New Zealand businesses that rely on imported components, light processing or globally sourced inputs. Hainan's duty free 'first line' allows foreign inputs to be imported tariff free and processed on the island and once the 30% value-added threshold is met, can then enter for tariff free into the mainland. This model is particularly relevant to industries like pharmaceuticals, healthcare products, parts of advanced manufacturing and some digital economy hardware.

Hainan also offers a policy backed environment for piloting market entry strategies, testing supply chain models and building local partnerships. Examples include AFT Pharmaceuticals' cooperation with Hainan Haiyao, Pacific Alpacas' participation in Hainan Expo, and investment funds seeking lower tax rates, freer capital movement, and visa-free access for a larger range of international travellers.

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