

Chapter 11

Target Duo: The Project of “International Tourism Island” in Hainan Special Economic Zone, China

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ABSTRACT

The Chinese government established the Hainan province, the southernmost island province, on what was then a closed-off and underdeveloped border island in 1988. Aiming to be comprehensively developed by foreign investors, Hainan was designated in the same year as the 5th Special Economic Zone (SEZ) in China, considered as a breakthrough in China’s opening-up. Hainan has been attracting people from around the world for years with its blue waters, towering coconut trees, year-round sunshine, and sandy beaches. Tourism economy plays a key role in Hainan. In the past three decades, SEZ and the initiative of International Tourism Island (ITI) has been worked together for the Chinese economy development since 2010. This unique island SEZ became a sandbox for attracting foreign investment with its preferential tax rates and favorable business environment. This chapter studied the economic development of Hainan Island in order to discover the future of this island.

INTRODUCTION

Hainan is the smallest and southernmost island province of the People’s Republic of China (PRC) since 1988, consisting of various islands in the South China Sea. Hainan Island, the largest and most populous island under administration by the People’s Republic of China, and the 42nd largest island in the world

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Target Duo

(The People's Government of Hainan Province, 2021). The Chinese government established the Hainan province on what was then a closed-off and underdeveloped border island. Since 1988 Hainan was designated as the fifth Special Economic Zone (SEZ) in China, since the establishing SEZs was considered a breakthrough in China's opening-up. Aiming to be comprehensively developed by foreign investors, the establishment of SEZ in Hainan Province has made its coastal attractive resources for commerce and business, especially in the tourism sector. The relations between SEZ and tourism economy are tide in Hainan. In the past three decades, a series of initiatives have been set in order to seek the development of Hainan SEZ, especially to encourage the tourism economy development in Hainan. Due to the difficulty for bureaucratic reasons such as visa obtaining, travel restrictions, etc., Hainan has become an exotic substitute for Chinese economic elites, offering the opportunity for more social liberal activities. There has been a focus on domestic tourism from mainland China to this Island SEZ. The initiative of "International Tourism Island" has been developed since 2010. Along with its designation as a SEZ, this unique "SEZ Island" became as a "sandbox" of economic development policies, to attract foreign investment with its preferential tax rates and favorable business environment. However, as the largest SEZ and the first to encompass an entire island, Hainan SEZ did not receive a significant development as expected, but it has experienced an irregular development path. After an initial surge in tourism development following its establishment, Hainan SEZ received the reputation hindered by corruption, as well as a real estate bubble.

This chapter article studied the target duo of the Hainan SEZ in China, combining the SEZ as well as the International Tourism Island, to discover the facts about the economic development of Hainan SEZ since its designation in 1988, and the future way out of this southernmost island province of China.

BACKGROUND OF HAINAN SEZ

Nature

The provincial name derives from its major island, Hainan. "海南/Hainan", or in Hainanese dialect "Hai Nam", this name of the island and the province literally means in Chinese "south of the sea", just reflecting its geographical location on the southern side of the Qiongzhou Strait, the canal with a distance of 18-nautical-mile wide, which separates the island and the Chinese mainland of Leizhou Peninsula (雷州半島, also known as 海北/Haibei/Hai Bac or "North of the Sea") in the northern side of the Qiongzhou Strait. However, since formerly Hainan Island was called as "Qiongzhou (瓊州)", "Qiongya (瓊崖)" and "Zhuya (珠崖)", the provincial abbreviation is called as "Qióng (瓊/琼)", or "Kheng" in Hainanese dialect (The People's Government of Hainan Province, 2021).

According to the official territorial reference, the territory of Hainan Province contains a land area with a total of 35.4 thousand square kilometers, which is a sum of over 200 islands in the Southern China Sea, and a maritime area of about 2 million square kilometers. As the main part of the province, Hainan Island, with its 32,900 square kilometers, has a vast majority of 97% of the land part in the province. The rest over 200 islands scattered across three archipelago districts of Xisha (西沙; west sand), Zhongsha (中沙; central sand) and Nansha (南沙; south sand) in the Southern China Sea, occupied only a contrast majority of the water part (The People's Government of Hainan Province, 2021).

Hainan Island has 288 km long axis with the northeast-southwest direction. Meanwhile the island measures 180 km wide with the width northwest-southeast direction. Mountain Wuzhi (五指山) is the

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